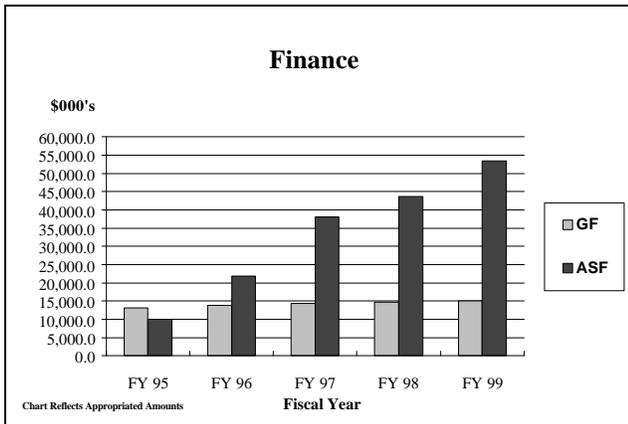
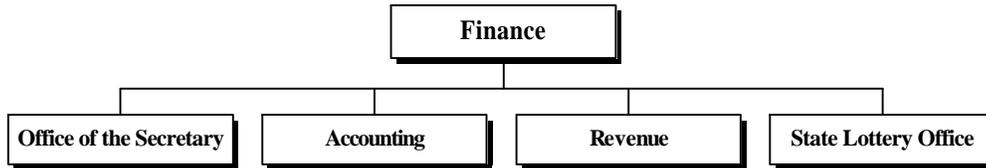


# FINANCE

## 25-00-00



### MISSION

To provide its customers with leadership in securing, creating, allocating and managing financial resources critical to the delivery of governmental services and promotion of Delaware's economic health.

### KEY OBJECTIVES

- Promote the financial health of the State by providing technical analysis, policy information and advice on state finances to the Governor, the legislature, state agencies, other government entities, pertinent constituency groups and the general public.
- Reduce administrative costs by re-engineering and streamlining state government to use resources more efficiently and effectively.
- Provide leadership and planning on global financial management issues, including revenues, expenditures and debt issuance.

### BUDGET

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	14,514.7	14,684.7	15,128.1
ASF	118,505.2	46,884.6	53,411.4
<b>TOTAL</b>	<b>133,019.9</b>	<b>61,569.3</b>	<b>68,539.5</b>

### POSITIONS

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	265.0	264.0	264.0
ASF	27.0	30.0	30.0
NSF	--	--	--
<b>TOTAL</b>	<b>292.0</b>	<b>294.0</b>	<b>294.0</b>

### FY 1999 BUDGET HIGHLIGHTS

#### OPERATING BUDGET:

- ◆ Recommend \$490.0 ASF for continued information systems development.
- ◆ Recommend \$66.1 to achieve full funding of personnel costs within the Division of Accounting.
- ◆ Recommend one-time funding in the Budget Office's Technology Fund for Parallel Payroll System.
- ◆ Recommend in the Division of Revenue, the base funding reallocation of \$50.0 from casual and seasonal salaries to contractual services contracted labor plus an additional \$27.0.
- ◆ Recommend enhancements of \$28.0 for computer maintenance; \$37.0 for new shredding and storage contracts; and \$6.0 for armored car use.
- ◆ Recommend \$6,100.0 ASF for lottery computer services and \$612.0 ASF for additional consulting.

# FINANCE

## 25-00-00

### OFFICE OF THE SECRETARY

#### 25-01-00

#### MISSION

To develop effective fiscal policies for the State, evaluate economic data and financial issues, formulate conceptual frameworks to ensure the efficient allocation of resources, promote implementation strategies for desired objectives, effectively communicate to constituents and provide administrative support to the department's three operating divisions.

#### KEY OBJECTIVES

- Maintain prudent fiscal management practices to preserve the state's financial health -- focusing on revenues, expenditures and public debt.
- Promote sound financial controls and improve planning capabilities.
- Develop an effective communication strategy to promote the department's objectives and increase access to information for the Department of Finance's customers.
- Develop human resource programs to improve employee productivity and skills of its workforce.

#### BACKGROUND AND ACCOMPLISHMENTS

The Secretary of Finance is the State's Chief Financial Officer and is the central source for economic and fiscal policy and management of financial resources. The Office of the Secretary provides the Secretary of Finance with economic data, revenue and legislative analyses and public information services to assist the Secretary in his/her policy function. The office supports the Secretary by providing the operating divisions with managerial and technical support in achieving department-wide goals.

The office also provides management and oversight of General Obligation debt and overall coordination and management of all debt of the State and state authorities. In addition, the Secretary's Office builds the foundation for the state's General Fund budget process by providing the analysis and forecasting of revenues in support of the Delaware Economic and Financial Advisory Committee (DEFAC).

The Office of the Secretary, because it addresses high-profile fiscal policy issues, operates in a very public environment. Its agenda is frequently established by external factors such as economic trends and federal legislation. As such, the office must be flexible and prepared to react to any number of complex issues with measured, well-developed policy solutions.

The following items attest to the office's success in accomplishing its mission:

- The office developed, promoted and guided through the General Assembly two fiscally responsible broad-based personal income tax cuts; a significant increase in the inheritance tax exclusion for all beneficiaries; a repeal of the gift tax; and reforms to make taxes simpler and easier for Delawareans.
- The office, anticipating the effects of changes in federal legislation and private-sector compensation, produced analyses for DEFAC to explain the revenue surge experienced by Delaware and the nation during this and last fiscal year.

In support of the Governor's economic development agenda, the office successfully coordinated a business tax cut package designed to encourage job creation by cutting gross receipts tax; adding a tax credit against the bank franchise tax; and extending the time period for claiming the Blue Collar Jobs credit.

- The office coordinated more effective collection of the state's receivables through setoff programs and the collection of debts owed other state agencies. In addition to shifting the alcoholic beverage tax collections from the ABCC to the Division of Revenue, the office promoted legislation giving Finance the authority to collect funds due to other state agencies, implementing such programs with Delaware Postsecondary Education.
- The office has provided leadership in the implementation of integrated management systems for the State, including a client/server Human Resources/Payroll system that will reduce paperwork and increase efficiency in state agencies and school districts.

#### BUDGET

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	1,131.8	1,201.0	1,245.2
ASF	74,667.9	690.0	490.0
TOTAL	75,799.7	1,891.0	1,735.2

# FINANCE

## 25-00-00

### POSITIONS

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	16.0	16.0	16.0
ASF	--	--	--
NSF	--	--	--
TOTAL	16.0	16.0	16.0

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### OFFICE OF THE SECRETARY

#### 25-01-01

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### ACTIVITIES

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.
- Provide analysis, forecasting and tracking of revenues for consideration by DEFAC. Enhance support of DEFAC by developing a cash flow forecasting model and other sub-models.
- Continue to manage and monitor the state's bond sales; advise policymakers regarding the state's overall debt and capital acquisition strategies. Delineate effective policy for private capital use as an alternative provider of services.
- Furnish guidance and direction in the management of the Twenty-First Century Fund consistent with the objective of using proceeds to meet the state's long-term infrastructure needs and mobilizing the maximum private involvement.
- Provide information and support to the General Assembly in its evaluation of legislation designed to standardize and improve the fairness of the state's property tax assessment practices.
- Provide department management services for information/technology, personnel, financial oversight and legislative support to assist the divisions in achieving their objectives.

## ACCOUNTING

### 25-05-00

### MISSION

To provide accurate and consistent financial reporting for the State of Delaware by using state-of-the-art financial and resource management systems, providing central support, planning and training, advocating participation in the ongoing improvement of systems, processes and services and offering assistance to state agencies and school districts.

### KEY OBJECTIVES

Reduce overall administrative costs by reducing procedural redundancy and promoting efficiency of the state's business processes by:

- Migrating the state's current financial and management systems into a paperless financial management system.
- Eliminating redundancy while ensuring the fulfillment of customers' needs.
- Continually monitor the state's many business processes and recommend and implement improvements wherever possible.

Provide fiscal oversight/control and training by:

- Accounting for and monitoring the state's financial transactions and reporting the fiscal status to all interested constituents.
- Maintaining the integrity of each system and ensuring that agency and school district personnel are trained to use existing and new financial management systems.

### BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the Division of Accounting's ongoing initiatives will work to increase the efficiency of the state's financial transactions and enhance the availability of information to its customers. The division is committed to reaching these goals through:

**New Systems:** Staff resources from the Division of Accounting, along with the Budget Office, OIS, State Personnel, the Division of Purchasing and user agencies are in the process of designing the State's Integrated Management System (IMS). When completed, the State

# FINANCE

## 25-00-00

will have a unified and centralized financial management system encompassing the state's accounting, payroll, human resources, benefits, budgeting and purchasing processes. Once implemented, IMS will have a profound influence on the division's operations and capabilities.

**New Processes:** In recognition of the potential change, the division is evaluating its organizational structure. Past concentration on the pre-process review of financial transactions is being replaced with an emphasis on the implementation of internal controls in state agencies and school districts and the review of financial practices and trends. The division has undertaken a process analysis review designed to identify: (1) redundant or unnecessary processes; (2) what new processes will be needed; and (3) the skill sets required to make the new processes operational. It is expected that the process analysis will be completed by the end of 1998.

**Application Of Technology:** Whenever possible, the division has pushed to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives. From the relatively straightforward application of electronic mail to communicate accounting policy notices to the use of Electronic Funds Transfer (EFT), the division is continually streamlining its processes. The Division of Accounting has used technology to improve its processes by:

- Pursuing an on-line reporting system where up-to-date accounting and payroll policy, training manuals and other critical financial records will be available for immediate user access. In addition, the division will produce interactive training packages and involve more staff in the training process.
- Striving to increase the efficiency of routine transactions by expanding the use of the state's small purchase credit card and increased enrollment in direct deposit.
- Working to establish EFT for many of the state's payables, employee benefits and employee reimbursements and implementing EDI for the transmission of financial information associated with purchase orders, payment vouchers, vendor invoices and trading partner communications.
- Improving the efficiency of its check issuance process by implementing a generic check and check stub for circumstances in which electronic payment is not feasible.

The division published the state's Fiscal Year 1995 and Fiscal Year 1996 audited GAAP statements as well as a Comprehensive Annual Financial Report (CAFR), meeting the standards prescribed by the Government Financial Officers Association (GFOA). In addition, the Division of Accounting received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Years 1995 and 1996 from the GFOA.

In Fiscal Year 1995, the division implemented lag pay for employees in state merit agencies. In Fiscal Year 1998, lag pay was implemented for employees in Higher Education and Public Education.

Effective January 1, 1996, direct deposit of pay was mandated for all new employees and pensioners.

A Total Quality Management (TQM) analysis of its document processing operations revealed that a significant portion of the division's examinations of smaller transactions simply replicated agency reviews. As a result, the division refined and improved its procedures for document processing. The most recent change occurred in July 1995 when the division removed from central review all DFMS purchase orders and payment vouchers under \$2,500 and all expenditure correction and inter-governmental voucher documents. These changes facilitated the reduction in the document processing work load of division staff from 440,000 in Fiscal Year 1993 to 189,000 in Fiscal Year 1997, a reduction of over 57 percent.

Prompted by the document processing TQM, the Division of Accounting, with the Division of Purchasing, implemented the Diamond Card (a procurement card) program for small purchases in Fiscal Year 1995. In Fiscal Year 1997, the division expanded the program from 21 pilot agencies to 73 state agencies and school districts. As a result, state agencies and school districts can use the card to replace relatively labor intensive processes (e.g., issuing a P.O.) and eliminate many of the administrative tasks currently required of agencies and the Division of Accounting.

The division achieved 100 percent on-line issuance of division directives to the state's fiscal officers in Fiscal Year 1996.

### BUDGET

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	2,578.9	2,578.9	2,689.4
ASF	--	--	--
<b>TOTAL</b>	<b>2,578.9</b>	<b>2,578.9</b>	<b>2,689.4</b>

# FINANCE

## 25-00-00

### POSITIONS

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	41.0	41.0	41.0
ASF	--	--	--
NSF	--	--	--
<b>TOTAL</b>	<b>41.0</b>	<b>41.0</b>	<b>41.0</b>

### ACCOUNTING

#### 25-05-01

### ACTIVITIES

- Establish and implement policies, procedures and regulations pertaining to the statewide accounting and payroll systems.
- Provide and present a comprehensive view of the state's financial condition through the Comprehensive Annual Financial Report (CAFR), financial statements and the Official Statement included in the General Obligation bond prospectus. Provide analysis, forecasting and tracking of expenditures for consideration by DEFAC.
- Design, develop and implement the Integrated Management System (IMS), enhancements to the state's DFMS, payroll/personnel, budget and purchasing systems.
- Process the state's accounting and payroll documents, certify the validity of transactions and coordinate accounting, payroll and other financial matters with key agency fiscal personnel.
- Maintain control of the state's central payroll/personnel and DFMS systems databases including access to the information. Provide for periodic mass updates to the payroll/personnel and DFMS systems as a result of legislation, federal and state regulations and/or policy/pay changes.
- Train personnel involved in the accounting and payroll processes in the policies and procedures of the respective systems.

### PERFORMANCE MEASURES

**Streamline Administrative Processes by Reducing Transactions:** Increase the dollar volume of Small Purchase Credit Card transactions from \$10,000 in Fiscal Year 1995, \$87,000 in Fiscal Year 1996 and \$853,000 in Fiscal Year 1997 to \$4 million in Fiscal Year 1998 and \$8 million in Fiscal Year 1999. In addition, increase the number of state agencies and school districts using the card from 12 in Fiscal Year 1995, 21 in Fiscal Year 1996,

and 73 in Fiscal Year 1997, to 132 (100 percent of divisions and school districts) in Fiscal Year 1998.

**Direct Deposit:** As a result of the division's marketing efforts and the mandated requirement, participation in direct deposit increased from 57 percent in Fiscal Year 1994, 64 percent in Fiscal Year 1995, 73 percent in Fiscal Year 1996 to 82 percent in Fiscal Year 1997. Increase direct deposit participation to 92 percent in Fiscal Year 1998 and 98 percent in Fiscal Year 1999.

	FY 1997 Actual	FY 1998 Budget	FY 1999 Gov. Rec.
Increase \$ volume of small purchase credit card transactions	\$853,000	\$4,000,000	\$800,000
% increase-direct deposit participation by State employees	82	92	98
Increase # state agencies and school districts using Smart Purchase Credit Cards	73	132	132

# FINANCE

## 25-00-00

### REVENUE

#### 25-06-00

#### MISSION

To provide revenues to support quality public services by:

- Facilitating compliance with tax and related laws through education and prompt, courteous and accurate service;
- Providing prompt and accurate deposit of and accounting for revenues received;
- Influencing the development of sound policy that simplifies compliance and promotes Delaware's economic health; and
- Detecting non-compliance and responding with firm, consistent and fair resolution of delinquent obligations.

#### KEY OBJECTIVES

- Provide policymakers with analysis of policy initiatives and revenue estimates. Conduct long-term research projects to anticipate and respond to demographic trends and structural changes in the economy.
- Improve voluntary compliance through improved communication with taxpayers, better distribution and design of tax forms and overall simplification of the tax code.
- Improve enforced compliance through the use of technology and effective allocation of resources to collection activities.
- Increase the cost effectiveness of divisional activities through the use of process flow analysis, the establishment of meaningful benchmarks and the judicious application of technical and human resources.
- Enhance the capabilities of staff through the implementation of a structured, long-term training and professional development program.
- Complete the implementation of the Division of Revenue's Business Systems Master Plan as a separate phase of the Delaware Financial Management System (DFMS).

#### BACKGROUND AND ACCOMPLISHMENTS

The Division of Revenue revolves around three activities: tax processing, tax enforcement and tax policy. Tax processing involves receiving documents and remittances (either in house or via lockbox or electronic means), depositing remittances, entering data from returns, validating the taxpayer's determination of tax, refunding overpayments and assuring proper accounting (including internal controls) and reporting of these transactions. Each year the division processes over one million tax returns and issues more than 270,000 tax refunds. In addition, Division of Revenue computer staff are responsible for the design and administration of some of the most sophisticated and technically advanced processing and imaging systems in the State.

Tax enforcement encompasses examinations and audits (i.e., determinations of under reporting of tax) and collection of delinquent accounts. The division's enforcement responsibilities encompass 15 different revenue sources, including the state's personal and corporate income taxes, gross receipts tax and realty transfer tax.

The division is the central player in the development and analysis of Delaware's tax policy. It also plays a significant role in the coordination of economic development efforts with the state's overall fiscal strategy.

The division implemented a Quality Service Mailbox where callers can leave comments to the division in the form of recommendations, staff compliments, complaints, etc. They will respond to a caller within 48 hours with an answer when requested.

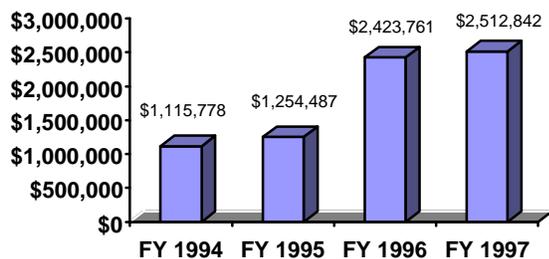
As a result of systems development, privatization, and careful audit selection, the division's annual enforcement collections have increased from \$22 million in Fiscal Year 1994 to \$31.5 million in Fiscal Year 1996 – an increase of approximately 22 percent per year.

The refund setoff program intercepts debts owed to state agencies, including the Division of Revenue, from tax refunds and Delaware Lottery winnings. Currently, ten state agencies participate in the program. The total amount of refunds intercepted for the Division of Revenue and other state agencies was \$2.85 million in Fiscal Year 1997 up from \$1.35 million in Fiscal Year 1995.

# FINANCE

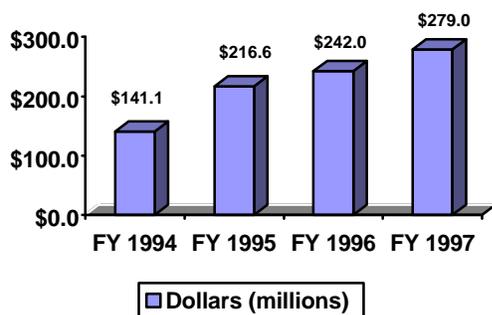
## 25-00-00

### Refund Setoffs



Led by the division's aggressive marketing to the state's largest withholding agents, electronic funds payments increased voluntarily from \$141 million in Fiscal Year 1994 to \$279 million in Fiscal Year 1997 – a 200 percent increase.

### EFT Collections



Outsourcing delinquent tax collections started in May 1993 and consists of six private firms deployed to collect delinquent taxes. The amount of outsourced collections has increased from \$3.2 million in Fiscal Year 1995 to \$4.8 million in Fiscal Year 1997.

As part of the Business Systems Master Plan (BSMP), the division implemented systems for the integration of an imaging system into personal income tax return processing that permits “exception” returns to be separated from returns without exceptions. This, along with improved training in preparation for tax season and the use of outsourcing of data entry, enabled the division to continue to reduce the average number of days to issue a tax refund from 22 days in Fiscal Year 1994 to 11 days in Fiscal Year 1997.

Electronic filing of income tax returns was expanded on a statewide basis. The division received approximately

13,200 returns in Fiscal Year 1997 compared to 6,100 returns in Fiscal Year 1996. These returns did not require manual intervention in the form of sorting, data entry or return validation.

### BUDGET

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 Gov. REC.
GF	10,803.7	10,904.8	11,193.5
ASF	1,043.2	1,140.5	1,140.5
<b>TOTAL</b>	<b>11,846.9</b>	<b>12,045.3</b>	<b>12,334.0</b>

### POSITIONS

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 Gov. REC.
GF	208.0	207.0	207.0
ASF	--	--	--
NSF	--	--	--
<b>TOTAL</b>	<b>208.0</b>	<b>207.0</b>	<b>207.0</b>

### REVENUE 25-06-01

### ACTIVITIES

- Disseminate tax information to the public and respond to taxpayer inquiries.
- Process and account for tax returns and associated remittances.
- Issue refunds of overpaid taxes and collect tax delinquencies.
- Conduct audits, examinations and reviews and prepare assessments when amounts are found to be due the State.
- Manage and supply records of filings for current and prior years.
- Provide support to core division activities in the form of computer systems support and development and consideration of tax appeals, initiation and analysis of tax legislation and proposed rulings and regulations.

### PERFORMANCE MEASURES

	FY 1997 Actual	FY 1998 Budget	FY 1999 Gov. Rec.
Enforcement Collections (\$M)	\$31.5	\$33.0	\$35.0
PIT Refunds	15 days	15 days	15 days
EFT Collections (\$ M)	\$280	\$335	\$355
% PIT Error Rates	6.5	6.4	6.4
Public Service Telephone Waiting Time	3 min	3 min	3 min

# FINANCE

## 25-00-00

### STATE LOTTERY OFFICE

#### 25-07-00

#### MISSION

To maximize revenue contributions to the State's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware through the marketing, sale and distribution of innovative, entertaining and secure lottery products that ensure the public's confidence in the integrity of the games, retailers and lottery operations.

#### KEY OBJECTIVES

- **Lottery Sales** - By Fiscal Year 2001, attain \$113.0 million of sales in "traditional" Lottery products and \$333.0 million in net machine income from video lottery machines at the state's race tracks.
- **Lottery Games** - Maintain an aggressive/innovative marketing strategy to ensure forecasted sales.
- **Lottery Distribution Channels** - Expand the breadth and depth of the lottery distribution channels throughout the State to make playing lottery games convenient, easy and fun.
- **Public Awareness** - Increase favorable public awareness of the Delaware Lottery through positive image enhancements of quality-oriented service, integrity-driven personnel and innovative games.
- **Lottery Resources** - Improve the operational effectiveness of the lottery by maximizing the use of technology and human resources.

#### BACKGROUND AND ACCOMPLISHMENTS

Since the December 1995 start-up of the state's video lottery, play at Delaware Park, Dover Downs and Harrington Raceway has exceeded original forecasts. In fact, in less than two years, Delaware's Video Lottery has become the most profitable operation of its kind in the country, generating more net proceeds per machine than any other state. This has resulted in a substantial increase in revenue for the State's General Fund. For the immediate future, the Lottery anticipates continued growth but, at a more moderate pace.

Fiscal Year 1997 saw the Delaware Lottery reaffirm its position as a leader and innovator in the world of public gaming with the introduction of the industry's first on-line instant game, Winning Hand. In addition, the Lottery continued on schedule with its transition from live drawings to the production and broadcast of computer animated graphic drawings. Conducting drawings in this manner, utilizing state of the art computer and transmission technology, reduces costs and allows the Lottery maximum flexibility in offering new and exciting games to its players.

The demographic profile of Delaware Lottery players closely resembles the profile of the adult population (aged 18 years and older) of the State of Delaware. According to a recent study, nearly six in ten (58 percent) of the Delaware residents surveyed had played at least one of the Delaware Lottery games during the past year. The incidence of playing Delaware Lottery games only (whether Delaware resident or not) has remained at a much higher level in comparison to earlier survey findings prior to 1995 (39 percent in 1991, 52 percent in 1993, 62 percent in 1995 and 63 percent in 1997).

The state's video lottery helped Delaware lead all U. S. Lotteries with percentage sales growth of 90.3 percent in Fiscal Year 1997.

The Lottery's traditional sales (on-line and instant games) have increased 15 percent since Fiscal Year 1993.

Delaware ranked third out of 38 U. S. Lotteries with per capita annual sales of \$499 for Fiscal Year 1997.

#### BUDGET

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	--	--	--
ASF	42,794.3	45,054.1	51,780.9
<b>TOTAL</b>	<b>42,794.3</b>	<b>45,054.1</b>	<b>51,780.9</b>

#### POSITIONS

	FY 1997 ACTUAL	FY 1998 BUDGET	FY 1999 GOV. REC.
GF	--	--	--
ASF	27.0	30.0	30.0
NSF	--	--	--
<b>TOTAL</b>	<b>27.0</b>	<b>30.0</b>	<b>30.0</b>

**FINANCE**  
**25-00-00**

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**STATE LOTTERY OFFICE**  
**25-07-01**

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**ACTIVITIES**

- Continue to expand the present lottery retailer network.
- Continue to control the video lottery on-line gaming system.
- Provide the public with games that are fun, easy and exciting to play.

**PERFORMANCE MEASURES**

	<b>FY 1997 Actual</b>	<b>FY 1998 Budget</b>	<b>FY 1999 Gov. Rec.</b>
Increase GF revenue collections	\$96.0 mil	\$110.0 mil	\$117.8 mil

**Operating Efficiency:** Hold operating costs as a percentage of sales to nine percent.