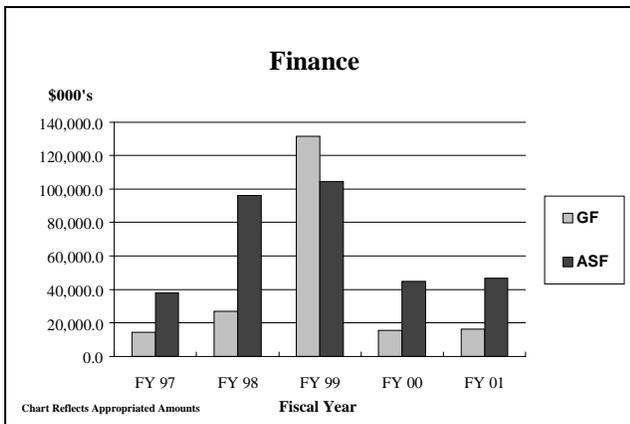
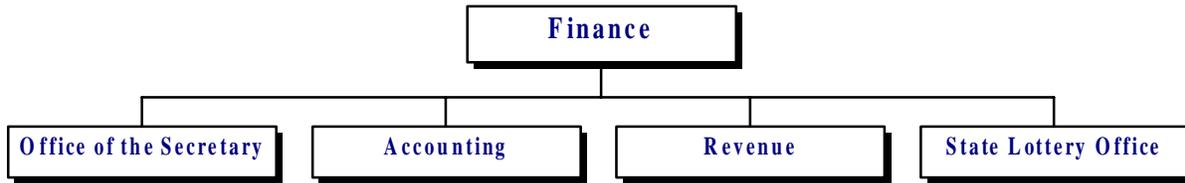


FINANCE

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 reengineering 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.

BUDGET

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	131,558.0	15,522.2	16,300.6
ASF	104,650.6	44,625.0	46,674.7
TOTAL	236,208.6	60,147.2	62,975.3

POSITIONS

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	264.0	265.0	267.0
ASF	29.0	30.0	30.0
NSF	--	--	--
TOTAL	293.0	295.0	297.0

FY 2001 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend structural change of \$700.0 ASF to assume maintenance responsibilities for mainframe application from the Office of Information Services (OIS) (\$700.0) reduction was made to OIS; (\$350.0) from 10-09-10 and (\$350.0) from 10-09-40.
- ◆ Recommend enhancement of \$1,021.7 ASF to upgrade Business Master File application and Imaging Systems software and fund the balance of the Financial and Revenue Data warehouse.
- ◆ Recommend enhancement of \$74.6 for computer and software to implement PHRST and ASAP technology.
- ◆ Recommend enhancements of \$108.0 for casual/seasonal tax staff and \$7.5 for tax staff training.
- ◆ Recommend enhancements of \$30.0 ASF in Lottery for software upgrades, licenses, and personal computer replacement and \$23.0 ASF for travel.
- ◆ Recommend one-time funding of \$150.0 ASF in Lottery to develop a specialized internal control system and \$125.0 ASF one-time funding to purchase software and hardware for the specialized internal control system.

FINANCE

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OFFICE OF THE SECRETARY

25-01-00

MISSION

To lead the state in developing and executing sound fiscal policies and practices.

KEY OBJECTIVES

- Make available all economic and financial information relevant to strengthening the state's financial position, policies and processes consistent with a Triple A rated state.
- Facilitate the exchange of necessary information between divisions within the Department of Finance, and among other state agencies, local governments, and the public.
- Maximize effectiveness and efficiency by improving the state's fiscal operations through the use of appropriate financial and accounting controls.
- Develop and coordinate human resource programs to improve employee productivity and enhance workforce skills.

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:

- Since 1995, the office developed, promoted and guided through the General Assembly four fiscally responsible broad-based personal income tax cuts; the repeal of the inheritance and gift taxes; and business tax cuts that make taxes simpler 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.
- The Office provided DEFAC with an analysis of the "new" economy's measurement challenges and trends in the distribution of income, both of which have significant implications for future state revenues.
- The Office has been instrumental in reducing the state's debt burden. Since 1995, the state has eliminated \$155 million of state debt via extraordinary measures (i.e., in addition to the institutionalized rapid maturity structure), for a total estimated debt service savings of over \$209 million.
- As a result of the Office's successful renegotiations of the video lottery machine vendor contracts, the annual revenue to the State will increase by an estimated \$25 million in FY 2000, and \$40 million in FY 2001 and each subsequent year of the vendor contracts. The total savings across the life of those contracts will reach nearly \$100 million.
- In support of the Governor's economic development agenda, the Office successfully coordinated a research and development tax credit ("RC&D") designed to encourage investment in cutting edge, high value-added industries. The rapid enactment of the RC&D played a prominent role in the AstraZeneca decision to locate its headquarters in Delaware.

FINANCE

25-00-00

- The Office provided critical information and support to the Education Finance Reform Committee and the General Assembly in evaluating legislation designed to change the system of financing public education in the state.
- The Office has provided critical support to the effort to implement 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.
- The Office is overseeing the development of a statewide comprehensive information management system (Automated System for Accounting and Purchasing) to support the state's accounting and procurement business processes. The new system will use technology to streamline processes, eliminate redundant and non-value added work, and eliminate paper.
- The Office led efforts to develop the structure and investment plan for the Delaware Standardbred Breeder's Program. As a result of the Office's work, the Breeder's Program Fund will be a growing endowment that ensures the long-term viability of the horse breeding industry and provides incentives for investments in open space and farmland in Delaware.
- The Office has developed a Code of Conduct and Employee Ethics Handbook, which provides a statement of values and covers ethical conduct and internal complaint resolution procedures.

BUDGET

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	117,834.8	1,356.8	1,392.0
ASF	59,668.0	678.3	2,400.0
TOTAL	177,502.8	2,035.1	3,792.0

POSITIONS

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	16.0	16.0	16.0
ASF	--	--	--
NSF	--	--	--
TOTAL	16.0	16.0	16.0

OFFICE OF THE SECRETARY

25-01-01

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.
- Manage and monitor the state's bond sales; advise policymakers regarding the state's overall debt and capital acquisition strategies, and sound debt reduction strategies.
- Furnish guidance and direction in the management of the Twenty-First Century Fund and the Infrastructure Investment Plan, consistent with the objective of using proceeds to meet the state's long-term infrastructure needs and mobilizing private involvement.
- Develop and promulgate regulations and implement property tax rebate programs pursuant to the Elderly Property Tax Relief and Education Expense and Property Tax Relief Funds.
- Provide department management services for information/technology, personnel, financial oversight and legislative support to assist the divisions in achieving their objectives.

FINANCE

25-00-00

ACCOUNTING

25-05-00

MISSION

To provide expert financial and technical accounting services on behalf of the State of Delaware.

KEY OBJECTIVES

- Promote fiscal accountability through the development and implementation of a comprehensive internal control plan.
- Provide up-to-date training in financial accounting processes.
- Establish and implement an ad-hoc report strategy and tools.
- Implement a disaster recovery plan for the division's internal systems.
- Replace the Diamond and Travel Cards with the Super Card.
- Proactively provide expertise and technical support to PHRST payroll report formation and the ASAP project.
- Develop feedback tools for all division operations.
- Develop, enhance and maintain the division's website; develop an intranet to improve services to agency and school districts customers.
- Identify and act on opportunities for outreach to agencies, school districts and vendors.
- Deliver leadership training to all Division of Accounting staff.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the Division of Accounting's ongoing initiatives will 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 the application of technology. Whenever possible, the division has worked to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The division's reorganization initiative will compliment the implementation of the new human resources/payroll system and the Automated System for Accounting and Purchasing (ASAP) project. The result will be an efficiently realigned division, allowing for a more effective use of staff resources. The division will also be positioned to proactively help agencies and school districts comply with accounting and payroll policies and procedures, and adopt "best practices" in financial accounting. The division is preparing for a successful statewide implementation of the new PHRST system.

From the application of electronic mail to communicating accounting policy memos to the new PHRST payroll system, 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. The division has also used technology 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.

The division published the state's Fiscal Year 1996, Fiscal Year 1997 and Fiscal Year 1998 audited GAAP statements as well as Comprehensive Annual Financial Reports (CAFR), meeting the standards prescribed by the Government Financial Officers Association (GFOA). The state received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Years 1995, 1996, 1997 and 1998 from the GFOA.

BUDGET

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	2,536.8	2,670.0	2,938.0
ASF	--	--	--
TOTAL	2,536.8	2,670.0	2,938.0

POSITIONS

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	41.0	40.0	40.0
ASF	--	--	--
NSF	--	--	--
TOTAL	41.0	40.0	40.0

FINANCE

25-00-00

ACCOUNTING 25-05-01

ACTIVITIES

With the advent of new technology, the division continues to modify the way it provides accounting and payroll services. Listed below are some of the activities the division will focus on during the next fiscal year.

- 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 publishing regular financial statements and the CAFR. Provide analysis, forecasting and tracking of expenditures for consideration by DEFAC.
- Collaborate with state agencies and school districts to ensure a smooth and effective transition to PHRST system.
- Work with consultants on the design and implementation of the new accounting system.
- 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

	FY 1999 Actual	FY 2000 Budget	FY 2001 Gov. Rec.
% increase-direct deposit participation by State employees	87	90	92
Decrease # of handwritten checks per year	1277	750	975*
Increase % timely GAAP submissions	85	90	95
Increase % state agencies and school districts using Super Card	35	55	65
Number of employees trained in the State Budget and Accounting Course	29	130	135

*Due to the implementation of PHRST.

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.
- 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.

FINANCE

25-00-00

- 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 400,000 personal and 600,000 business tax returns, and issues more than 270,000 tax refunds. In addition, Division of Revenue computer staff is responsible for the design and administration of some of the most sophisticated and technically advanced processing and imaging systems in the State.

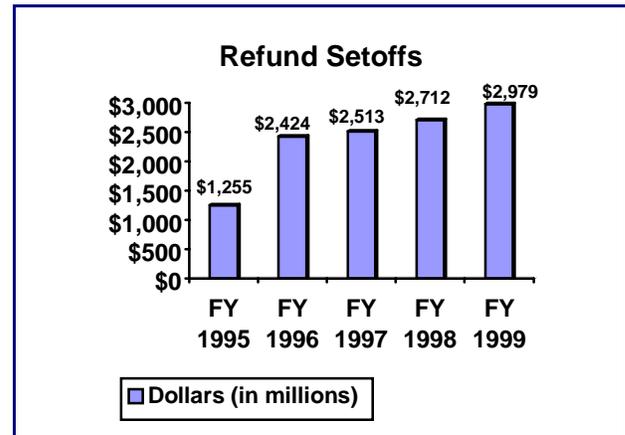
Tax enforcement includes examinations and audits (i.e., determinations of underreporting of tax), and collection of delinquent accounts. The division's enforcement responsibilities encompass 15 different revenue sources, including the state's personal and corporate income taxes, gross receipts tax and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

The division provides data, administrative support, and consultation to the Economic Analysis Group within the Office of the Secretary. The group is a 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.

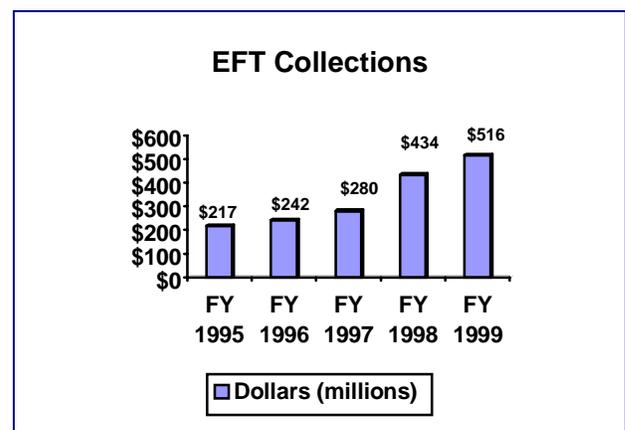
The division has focused on improving the quality of service to the customers. One of the initiatives implemented is the Quality Service Mailbox, which allows callers to leave comments for the division. If the calls request a response, the division responds within 48 hours.

Electronic filing of income tax returns has continued to expand statewide. The division received over 44,000 electronically filed personal tax returns in Fiscal 1999 (compared to 33,000, 13,200 and 6,100 personal tax returns in Fiscal Years 1998, 1997 and 1996,

respectively). The division projects that it will receive 65,000 electronic returns personal tax returns in Fiscal Year 2000. These returns do not require manual intervention in the form of sorting, data entry or return validation.



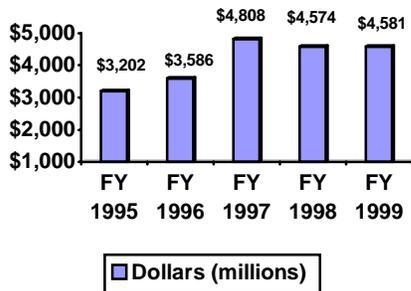
The refund setoff program intercepts debts owed to various state agencies, including the Division of Revenue, from tax refunds and Delaware Lottery winnings. Currently, ten state agencies participate in the program. The total amount of refunds intercepted for the Division of Revenue and other state agencies was \$2.98 million in Fiscal Year 1999, up from \$1.26 million in Fiscal Year 1995.



Led by the division's aggressive marketing to the state's largest withholding agents, electronic funds payments increased from \$217 million in Fiscal Year 1995 to \$516 million in Fiscal Year 1999, an average annual growth rate of over 24 percent. The result has been quicker availability of funds, higher return for interest income, reduction in paper handling, reduced processing errors and savings to taxpayers in reduced administrative time and expense.

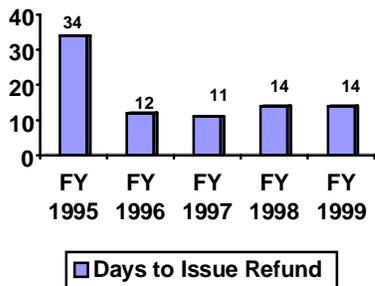
FINANCE 25-00-00

Outsourced Tax Collections



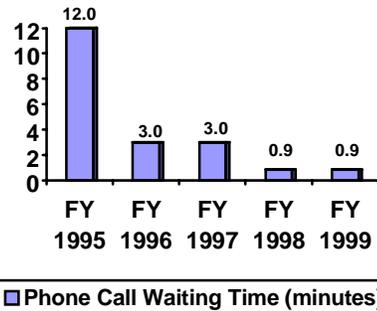
The practice of outsourcing delinquent tax collections started in May 1993, with six private firms currently deployed to collect delinquent taxes. The amount of outsourced collections increased from \$3.2 million in Fiscal Year 1995 to \$4.6 million in Fiscal Year 1999.

Time to Issue Refund



As part of the Business Systems Master Plan (BSMP), the division implemented an integrated imaging system into personal income tax return processing that permits "exception" returns to be separated from non-exception returns. This initiative, along with improved training in preparation for tax season and the use of outsourced data entry, enabled the division to continue to reduce the average number of days to issue a tax refund from 34 days in Fiscal Year 1995 to 14 days in Fiscal Year 1999.

ACD Telephone Waiting Time



In mid-Fiscal Year 1996 the division acquired a digital phone system that included voice mail and Automated Call Distribution (ACD) systems. The ACD system has given the caller the capability to route his/her call quickly and efficiently to the appropriate area or person through the use of an automated menu option. These tools have allowed the division to significantly reduce in the number of abandoned ACD calls, especially during tax season. During the Fiscal Year 1997 tax season, 17 percent of ACD calls were abandoned, compared to the Fiscal Year 1999 tax season when less than 10 percent of all ACD calls were abandoned.

BUDGET

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	11,186.1	11,495.4	11,970.6
ASF	688.8	1,140.5	1,140.5
TOTAL	11,874.9	12,635.9	13,111.1

POSITIONS

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	207.0	209.0	211.0
ASF	--	--	--
NSF	--	--	--
TOTAL	207.0	209.0	211.0

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.

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- 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 in the consideration of tax appeals, initiation and analysis of tax legislation, and proposed rulings and regulations.

PERFORMANCE MEASURES

	FY 1999 Actual	FY 2000 Budget	FY 2001 Gov. Rec.
Refund Setoffs (\$M)	\$2.98	\$3.15	\$3.0
Outsourced Tax Collections (\$M)	\$4.6	\$4.7	\$4.8
Personal Income Tax Refunds	14.5 Days	14 Days	14 Days
Electronic Fund Transfer Collections (\$ M)	\$516	\$565	\$615
Revenue ACD Telephone Waiting Time	53 sec	53 sec	53 sec

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 2003, attain \$136.6 million of sales in "traditional" lottery products and \$586.7 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

For the third consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per machine than any other state. With legislation in place to increase the maximum number of machines allowed at the three racetrack venues, the Lottery anticipates continued growth and increased revenue for the State's General Fund.

Fiscal Year 1999 saw the Lottery complete the final phase of its transition of its traditional on-line games from live drawings to the production and broadcast of computer animated graphic drawings. In addition, the

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Lottery is moving forward with its marketing strategy of introducing short-run variety games (on-line “niche” games) while maintaining frequent instant game launches in order to consistently offer new and exciting products to its customers.

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 two-thirds (64 percent) of the Delaware residents surveyed had played at least one of the Delaware Lottery ticket games (62 percent) or the video lottery (17 percent) within the past year. Most video lottery players (87 percent) also played the traditional Lottery games while approximately one-fourth (24 percent) of the traditional Lottery game players also played Delaware’s Video Lottery. Two-thirds (67 percent) of those who played any Delaware Lottery game within the past year consider playing the games a form of entertainment.

Accomplishments:

- Delaware ranked second out of 38 U.S. Lotteries with percentage sales growth of 18.1 percent in Fiscal Year 1999.
- During the last five years (Fiscal Year 1995 – Fiscal Year 1999) the Lottery's traditional sales (on-line and instant games) have increased 31.4 percent.
- Delaware ranked third out of 38 U.S. Lotteries with per capita annual sales of \$709 for Fiscal Year 1999 (national average \$155).
- Delaware ranked first out of 38 U.S. Lotteries with sales per Lottery employee of \$19.5 million for Fiscal Year 1999 (national average \$5.1 million).

BUDGET

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	--	--	--
ASF	44,293.9	42,806.2	43,134.2
TOTAL	44,293.9	42,806.2	43,134.2

POSITIONS

	FY 1999 ACTUAL	FY 2000 BUDGET	FY 2001 GOV. REC.
GF	--	--	--
ASF	29.0	30.0	30.0
NSF	--	--	--
TOTAL	29.0	30.0	30.0

STATE LOTTERY OFFICE
25-07-01

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

	FY 1999 Actual	FY 2000 Budget	FY 2001 Gov. Rec.
Increase GF revenue collections	\$168.0 million	\$196.3 million	\$215.6 million

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