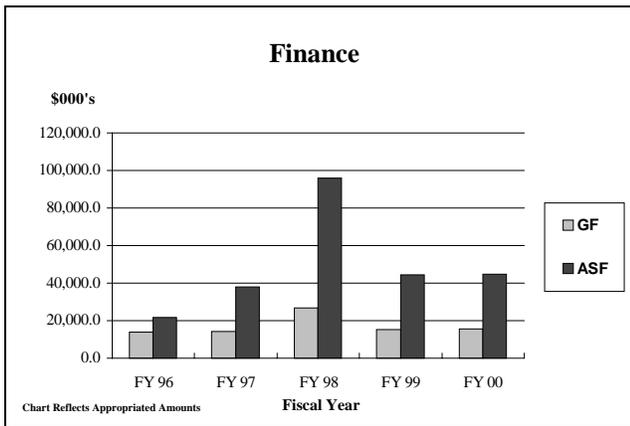
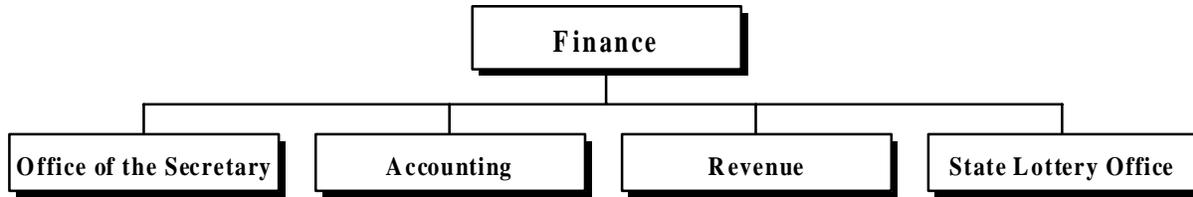


FINANCE

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 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	26,938.3	15,094.9	15,515.8
ASF	95,995.1	44,383.8	44,593.6
TOTAL	122,933.4	59,478.7	60,109.4

POSITIONS

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	264.0	264.0	265.0
ASF	30.0	29.0	29.0
NSF	--	--	--
TOTAL	294.0	293.0	294.0

FY 2000 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend enhancement of \$188.3 ASF to develop a statewide informational warehouse, and upgrade and enhance imaging collection procedures.
- ◆ Recommend enhancement of 2.0 FTEs Production Clerk and Unit Operations Clerk in the Division of Revenue to improve tax return processing efficiency.

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.
- The office also conducted successful negotiations for the reauthorization of video lottery operations at the state's three race tracks, increasing the annual revenue stream to the State by \$15 million in Fiscal Year 1999, an estimated \$25 million in Fiscal Year 2000 and from \$35 million to \$40 million in Fiscal Year 2001.
- The Delaware College Investment Plan, a new state-sponsored higher education program to help Delawareans meet the rising costs of a college education, was developed by the Office of the Secretary. The new program takes advantage of the Taxpayer Relief Act of 1997 and allows families to grow college funds without taxation.
- The office continues to provide 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.

FINANCE

25-00-00

BUDGET

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	12,910.9	1,250.0	1,356.2
ASF	44,941.1	490.0	678.3
TOTAL	57,852.0	1,740.0	2,034.5

POSITIONS

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 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. 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 expert 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. Ensure the Division of Accounting hardware and software are year 2000 compliant.
- Provide up-to-date training in financial accounting processes.
- Establish and implement an ad-hoc report strategy and tools.
- Build capacity to provide in-house consulting services.
- Implement a disaster recovery plan for the division's internal systems.
- Replace the Diamond and Travel Cards with the Super Card.
- Proactively provide expertise to PHRST payroll report formation.
- Successfully implement bi-weekly pay.
- Develop feedback tools for all division operations.
- Develop, enhance and maintain the Division's website and develop an intranet to improve services to agency customers.
- Identify and act on opportunities for outreach to agencies, school districts and vendors.
- Deliver leadership training to all Division of Accounting staff.

FINANCE

25-00-00

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 the application of technology. Whenever possible, the division has worked to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

A substantial reorganization of the division is underway in preparation for the implementation of the new Peoplesoft human resources/payroll system. When the reorganization is in place, Central Payroll staff will be reduced by 50 percent. The division will be more proactive and positioned to help agencies and school districts comply with accounting and payroll policies and procedures and adopt "best practices" in financial accounting.

In addition, the division is preparing for a successful state-wide implementation of biweekly pay in July 1999.

From the application of electronic mail to communicate 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 plans to 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.

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

BUDGET

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	2,649.8	2,676.1	2,678.6
ASF	--	--	--
TOTAL	2,649.8	2,676.1	2,678.6

POSITIONS

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	41.0	41.0	40.0
ASF	--	--	--
NSF	--	--	--
TOTAL	41.0	41.0	40.0

ACCOUNTING

25-05-01

ACTIVITIES

With the advent of new technology, the division continues to change 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 the 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.
- 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 a 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.

FINANCE

25-00-00

- Train personnel involved in the accounting and payroll processes in the policies and procedures of the respective systems.

PERFORMANCE MEASURES

	FY 1998 Actual	FY 1999 Budget	FY 2000 Gov. Rec.
% increase-direct deposit participation by State employees	82	86	90
Decrease # of handwritten checks per year	1,161	1,000	750
Increase % accurate and timely GAAP submissions	75	85	95
Decrease annual \$ amount of travel advances	\$820,000	\$800,000	\$600,000
Increase % state agencies and school districts using Super Card	--	25	40
Number of employees trained in the State Budget and Accounting Course	35	70	120

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.
- Complete the implementation of the Division of Revenue's Business Systems Master Plan as a separate phase of the Delaware Financial Management System (DFMS).

FINANCE

25-00-00

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.

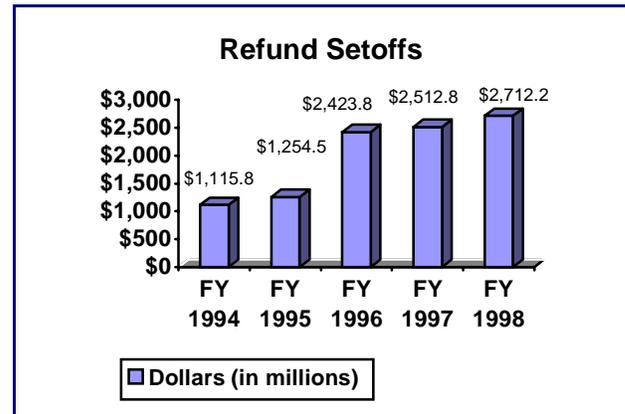
Each year the division processes over one million tax returns and issues more than 270,000 tax refunds. In addition, Division of Revenue computer staff is responsible for the design and administration of some of the most sophisticated and technically advanced processing and imaging systems in the State.

Tax enforcement includes examinations and audits (i.e., determinations of 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.

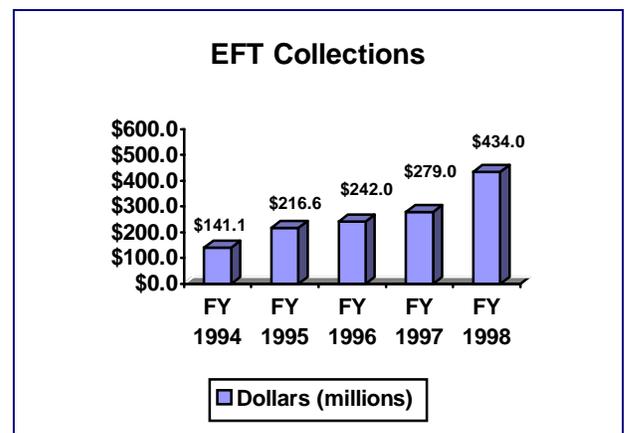
The division is the central player in the development and analysis of Delaware's tax policy. It also plays a significant role in the coordination of economic development efforts with the state's overall fiscal strategy.

The division 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 state-wide. The division received approximately 33,000 returns in Fiscal Year 1998 (compared to 13,200 and 6,100 returns in Fiscal Years 1997 and 1996, respectively). The division is projecting that it will receive 50,000 electronic returns in Fiscal Year 1999. These returns did not require manual intervention in the form of sorting, data entry or return validation.



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.

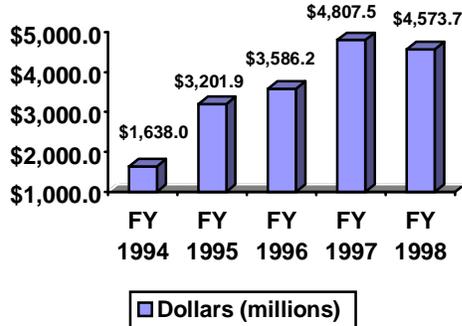


Led by the division's aggressive marketing to the state's largest withholding agents, electronic funds payments increased from \$217 million in Fiscal Year 1995 to \$434 million in Fiscal Year 1998 – a 200 percent increase. The result has been quicker availability of funds, higher return for interest income, reduction in paper handling, reduced processing errors and savings to taxpayers in reduced administrative time and expense.

FINANCE

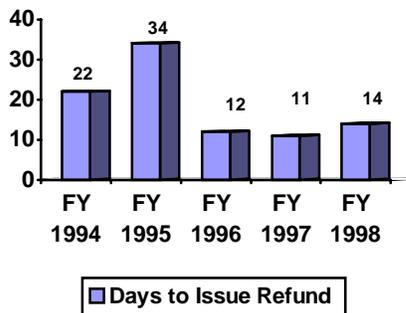
25-00-00

Outsourced Tax Collections



The practice of outsourcing delinquent tax collections started in May 1993, 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 \$4.6 million in Fiscal Year 1998.

Time to Issue Refund

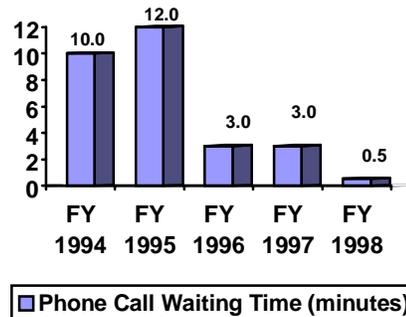


As part of the Business Systems Master Plan (BSMP), the division implemented systems for the integration of an imaging system into personal income tax return processing that permits "exception" returns to be separated from non-exception returns. This, along with improved training in preparation for tax 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 34 days in Fiscal Year 1995 to 14 days in Fiscal Year 1998.

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 their 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 experience a significant reduction 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 1998 tax season when only 10 percent of all ACD calls were abandoned.

ACD Telephone Waiting Time



The division has also seen a significant reduction in the time a caller has had to wait to speak to an ACD agent. During Fiscal Year 1995 the average call waiting time to reach the only ACD group, Public Service, was over 12 minutes compared to an average call waiting time in Fiscal Year 1998 for all ACD groups of less than 1 minute.

BUDGET

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	11,378.4	11,168.8	11,481.0
ASF	695.4	1,140.5	1,140.5
TOTAL	12,073.8	12,309.3	12,621.5

POSITIONS

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	207.0	207.0	209.0
ASF	--	--	--
NSF	--	--	--
TOTAL	207.0	207.0	209.0

REVENUE

25-06-01

ACTIVITIES

- Disseminate tax information to the public and respond to taxpayer inquiries.

FINANCE

25-00-00

- 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 1998 Actual	FY 1999 Budget	FY 2000 Gov. Rec.
Refund Setoffs (\$M)	\$2.7	\$3.0	\$3.3
Outsourced Tax Collections (\$M)\$4.6	\$4.6	\$4.8	\$5.0
Personal Income Tax Refunds	14 days	17 days	15 days
Electronic Fund Transfer Collections (\$ M)	\$434	\$470	\$500

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 2002, attain \$141.2 million of sales in "traditional" lottery products and \$525.3.0 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

Fiscal Year 1998 saw Delaware's Video Lottery continue to be the most profitable operation of its kind in the country, generating more net proceeds per machine than any other state. With recent legislation increasing the maximum number of machines allowed at the three racetrack venues, Lottery anticipates continued growth and increased revenue for the State's General Fund.

Lottery continued on schedule with its transition from live drawings to the production and broadcast of computer animated graphic drawings and will complete

FINANCE

25-00-00

the final phase of this initiative by mid Fiscal Year 1999. In addition, 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 six in ten (58 percent) of the Delaware residents surveyed had played at least one of the Delaware Lottery games during the past year. Most video lottery players (83 percent) also played the traditional Lottery games while approximately one-fourth (28 percent) of the traditional Lottery game players also played Delaware's Video Lottery. The most commonly played traditional Delaware Lottery games were Powerball (82 percent) and Instant Games (64 percent), while nearly one out of every two players (48 percent) played All Cash Lotto.

Accomplishments:

- Delaware ranked second out of 28 U.S. Lotteries with percentage sales growth of 24.3 percent in Fiscal Year 1998.
- Lottery's traditional sales (on-line and instant games) have increased 18 percent since Fiscal Year 1994.
- Delaware ranked third out of 38 U.S. Lotteries with per capita annual sales of \$596 for Fiscal Year 1998 (national average \$155).
- Delaware ranked fourth out of 38 U.S. Lotteries with sales per Lottery employee of \$14.9 million for Fiscal Year 1998.

BUDGET

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	--	--	--
ASF	50,358.7	42,753.3	42,774.8
TOTAL	50,358.7	42,753.3	42,774.8

POSITIONS

	FY 1998 ACTUAL	FY 1999 BUDGET	FY 2000 GOV. REC.
GF	--	--	--
ASF	30.0	29.0	29.0
NSF	--	--	--
TOTAL	30.0	29.0	29.0

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 1998 Actual	FY 1999 Budget	FY 2000 Gov. Rec.
Increase GF revenue collections	\$125.4 million	\$173.1 million	\$194.7 million

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