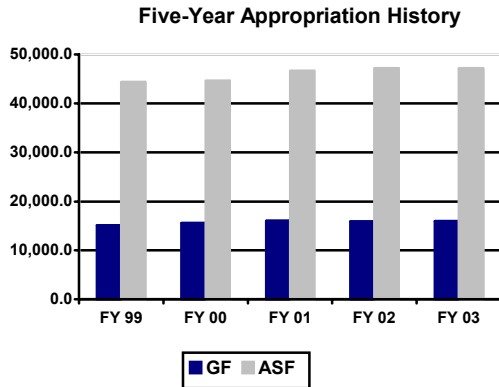
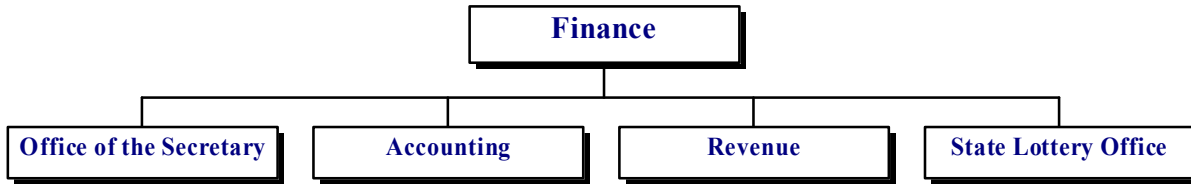


FINANCE

25-00-00



MISSION

To provide 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, debt and expenditures.

FUNDING

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	16,936.5	15,898.0	17,200.4
ASF	60,633.1	47,209.5	46,859.5
TOTAL	77,569.6	63,107.5	64,059.9

POSITIONS

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	267.0	269.0	268.0
ASF	30.0	30.0	36.0
NSF	--	--	--
TOTAL	297.0	299.0	304.0

FY 2004 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend structural change in Accounting (25-05-01) to transfer (\$80.6) in Personnel Costs and (1.0) filled FTE Information Systems Manager to State Personnel Office, Operations (10-04-02).
- ◆ Recommend enhancements in Revenue (25-06-01) of \$400.0 ASF in Delinquent Collection and 6.0 ASF FTEs to expand delinquent collection and enforcement efforts.

FINANCE
25-00-00

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 maintaining the state's financial position, policies and processes consistent with Delaware's designation as 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.

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 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 Council (DEFAC).

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

- The office helped the state attain a reaffirmation of Triple A bond ratings from all three Wall Street rating agencies.
- The office secured the lowest interest costs for debt issuance in over 25 years.

- The office is implementing a best practices review to identify areas for reducing costs and increasing efficiency in the ways that the state does business.
- To better serve DEFAC, the office provided members with a comprehensive overview of the state's economic and tax bases, and identified the long-term fiscal challenges facing the State. In addition, the office adopted the practice of one-on-one briefings with new members to ensure that they are able to make an immediate and meaningful contribution to the forecasting process.
- As a result of the office's successful renegotiations of the vendor contracts for video lottery machines, the state secured access to the most competitive products on the market, thereby encouraging competition among vendors and creating an incentive for them to maximize state revenue.

FUNDING

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	2,838.8	1,655.5	2,722.2
ASF	16,327.7	2,595.0	1,845.0
TOTAL	19,166.5	4,250.5	4,567.2

POSITIONS

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	16.0	19.0	19.0
ASF	--	--	--
NSF	--	--	--
TOTAL	16.0	19.0	19.0

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 and advise policymakers regarding the state's overall debt, debt reduction and capital acquisition strategies.
- Furnish guidance and direction in the management of the Twenty-First Century Funds consistent with the

FINANCE

25-00-00

objective of using proceeds to meet the state's long-term infrastructure needs.

- 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 financial and technical accounting services on behalf of the State of Delaware, delivering central support to state organizations as well as consistent and reliable financial information to the public.

KEY OBJECTIVES

- Provide leadership for financial management activities throughout state government.
- Deliver consulting and management services designed to improve statewide organizational accounting operations.
- Provide oversight for the administration of the SuperCard Purchase/Travel Program.
- Aggressively create, identify and act on opportunities for customer relationship building.
- Provide leadership for the planning, development, and implementation of the statewide Enterprise Resource Planning (ERP), including Payroll Human Resource Statewide Technology (PHRST).
- Provide utilities for on-line access to financial reports and ad hoc capability for management analysis.
- Provide appropriate and continuous training for division staff.
- Seek and deliver opportunities to modernize the state's financial management practices in line with the best practices of both the public and private sectors.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the division's on-going initiatives will increase the efficiency of the state's financial processes and will 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.

FINANCE

25-00-00

The division continues to complement the PHRST system and will provide financial expertise for the planning and development of a statewide ERP. Implementation of a web-based application for administration of the SuperCard program will enhance paperless purchasing capabilities, increase the potential for rebate savings and reengineer the statewide purchasing function. These are examples of how the division is proactively engaging state organizations and adopting "best practices" in financial accounting.

For the fiscal year ended June 30, 2002, the division will issue the state's Comprehensive Annual Financial Report (CAFR) in full compliance with Governmental Accounting Standards Board (GASB) Statement 34, which more closely aligns governmental financial statements with the ones found in private industry. Each fiscal year since 1995, the state has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

FUNDING

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	2,554.3	2,816.8	2,812.3
ASF	--	--	--
TOTAL	2,554.3	2,816.8	2,812.3

POSITIONS

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	40.0	37.0	36.0
ASF	--	--	--
NSF	--	--	--
TOTAL	40.0	37.0	36.0

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:

- Provide leadership for financial management activities throughout state government.
- 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.

- Process the state's accounting and payroll transactions, certify the validity of transactions and coordinate accounting, payroll and other financial matters with key agency fiscal personnel.
- Maintain control of the Delaware Financial Management System (DFMS). Provide for periodic mass updates to DFMS in response to legislation, federal and state regulations and/or policy changes.
- Train statewide system users in the policies and procedures of the PHRST system.

PERFORMANCE MEASURES

- Implement software on a statewide basis to support the SuperCard program.
- Complete a plan to measure internal controls within the state.
- Implement plans to provide DFMS hands-on training, including Fixed Assets and 1099 training.
- Conduct three DFMS/PHRST Payroll user group meetings.
- Reduce modification in the PHRST Payroll module.
- Create web access to accounting forms.
- Implement an ad hoc reporting tool for on-line access to DFMS reports.
- Achieve 96 percent of state employees utilizing direct deposit and 25 percent of Payroll vendors being paid through Automated Clearing House (ACH), and print 100 percent of W2s internally.

FINANCE

25-00-00

REVENUE

25-06-00

MISSION

The primary revenue collector for the state, the Division of Revenue's mission is to collect 100 percent of the taxes and other revenues required by law, no more and no less, and to do so in a manner that creates the highest possible level of satisfaction on the part of the public with the division's competence, courtesy, effectiveness and efficiency.

KEY OBJECTIVES

- 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 Revenue's Business Systems Master Plan.

BACKGROUND AND ACCOMPLISHMENTS

Revenue revolves around three activities: tax processing, tax enforcement and policy formulation. Tax processing involves receiving documents and remittances (either in-house or via lockbox or electronic means), depositing remittances, entering/capturing 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 425,000 personal and 600,000 business tax returns and issues more than 280,000 tax refunds. In addition, 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. Delaware

has been a national leader in applying technology to tax administration.

Tax enforcement includes examinations and audits (i.e., determinations 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 ongoing initiatives 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 126,000 electronically-filed personal tax returns in Fiscal Year 2002 (compared to 101,000, 83,000, 33,000 and 6,100 personal tax returns in Fiscal Years 2001, 2000, 1998 and 1996, respectively). The division projects that it will receive 140,000 personal tax returns electronically in Fiscal Year 2003, which will represent approximately 33 percent of all Personal Income Tax returns filed. These returns do not require manual intervention in the form of sorting, data entry or return validation.

FUNDING

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	11,543.5	11,425.7	11,665.9
ASF	1,271.1	1,265.5	1,665.5
TOTAL	12,814.6	12,691.2	13,331.4

POSITIONS

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	211.0	213.0	213.0
ASF	--	--	6.0
NSF	--	--	--
TOTAL	211.0	213.0	219.0

FINANCE

25-00-00

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.

PERFORMANCE MEASURES

	FY 2002 Actual	FY 2003 Budget	FY 2004 Gov. Rec.
Refund setoffs (\$M)	2.98	2.95	2.80
Outsourced tax collections (\$M)	7.16	7.00	7.00
Personal Income Tax refunds (days)	12	12	12
Digital Personal Returns (1,000)	209	205	240
Revenue Automated Call Distribution (ACD) telephone waiting time (seconds)	24	30	25

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, agents and lottery operations; and
- By providing leadership and a corporate culture that encourages productive change leading to improvement in every aspect of the business.

KEY OBJECTIVES

- Maintain an aggressive and innovative marketing strategy to ensure forecasted sales volume is reached.
- Optimize lottery distribution channels throughout the state to make playing lottery games more convenient.
- Increase favorable public awareness of the Delaware Lottery through positive image enhancements.
- Actively anticipate and address customer and employee needs through the use of surveys and committees.
- Improve the operational effectiveness of the lottery by maximizing the use of technology and human resources.

BACKGROUND AND ACCOMPLISHMENTS

For the sixth consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per machine (\$710) than any other state (national average was \$277). Fiscal Year 2002 total net proceeds from all three racetracks topped the one-half billion mark for the second year in a row. Delaware Park and Dover Downs continued to offer 2,000 machines each—the maximum allowed by current legislation—while Harrington Raceway had just over 1,325 machines in place by the end of the fiscal year. Recently-completed negotiations on a new contract with machine vendors enhances the current complement of games at the racetracks by providing for extensive and timely new game replacements. The new contract also opens the door for the Lottery to explore the emergence of proprietary

FINANCE

25-00-00

games (like Wheel of Fortune and Monopoly) which could generate additional revenue gains for the state.

On the traditional lottery side, Fiscal Year 2002 saw the Lottery continue successful strategic marketing partnerships with fellow state agencies and the private sector. In cooperation with the Delaware Office of Tourism and the Division of Motor Vehicles, the Lottery launched an instant game designed to equitably award popular low-digit Delaware license plates while at the same time promoting the state's newly-designed branding campaign and slogan. The Lottery also increased its participation with the Delaware State Fair by becoming a Grandstand Event Sponsor in addition to offering an instant game awarding free gate passes and operating an informational booth on the grounds during Fair week.

In an ongoing effort to make its products, services and information available to persons with disabilities, the Delaware Lottery, in cooperation with the Government Information Center and the Office of Information Services (now Department of Technology and Information), became the first State of Delaware agency to voluntarily comply with newly-adopted State Web Presentation Standards. Moreover, delottery.com is certified for Level I accessibility according to the guidelines and standards published by the World Wide Web Consortium (W3C), an Internet industry body working to make the Internet more accessible to persons with disabilities and/or with limited access to computer technology.

For the third year in a row, the Delaware Lottery was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). According to the GFOA, a nonprofit professional association, the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

Fiscal Year 2003 was also marked by the Delaware Lottery winning a Batchy Award for excellence in advertising. Batchy Awards are presented annually by the North American Association of State and Provincial Lotteries (NASPL) in a variety of categories and medias. The Lottery won its award for radio advertising.

Accomplishments:

- Delaware ranked first out of the 39 U.S. lotteries with per capita annual sales of \$843 for Fiscal Year 2002.

- Delaware ranked first out of the 39 U.S. lotteries with per capita profit to the state of \$288 for Fiscal Year 2002.
- Delaware ranked ninth out of the 39 U.S. lotteries with percentage sales growth of 12 percent in Fiscal Year 2002.
- Delaware ranked first out of the 23 U.S. lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$54 for Fiscal Year 2002 (pre Pennsylvania joining MUSL).
- Delaware ranked first out of the five U.S. lotteries with video lottery with video net proceeds of \$556.8 million for Fiscal Year 2002.
- Since the start of video lottery, the Delaware Lottery has contributed more than \$6.9 million to the Department of Health and Social Services to help fund problem gambling in Delaware.

FUNDING

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	--	--	--
ASF	43,034.2	43,349.0	43,349.0
TOTAL	43,034.2	43,349.0	43,349.0

POSITIONS

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 GOV. REC.
GF	--	--	--
ASF	30.0	30.0	30.0
NSF	--	--	--
TOTAL	30.0	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 2002 Actual	FY 2003 Budget	FY 2004 Gov. Rec.
Increase GF revenue collections (\$ millions)	230.0	223.7	227.6
Operating costs as % of sales	12	10	10