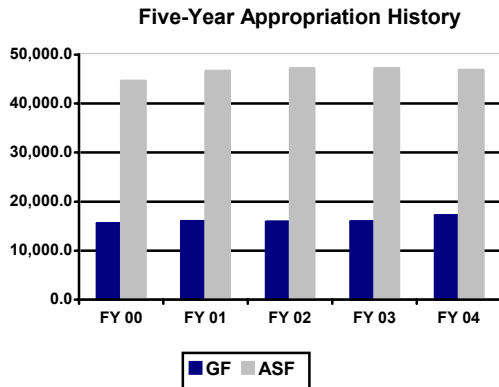
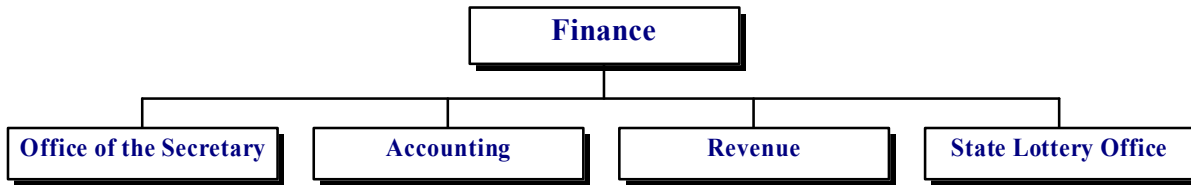


FINANCE

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 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	15,507.8	17,159.4	17,937.9
ASF	56,840.9	46,859.5	47,299.7
TOTAL	72,348.7	64,018.9	65,237.6

POSITIONS

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	269.0	260.0	255.0
ASF	30.0	36.0	44.0
NSF	--	--	--
TOTAL	299.0	296.0	299.0

FY 2005 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ♦ Base adjustments include (\$269.6) in Personnel Costs and (5.0) FTEs (1.0 Tax Examiner and Investigation Manager, 1.0 Tax Auditor, 1.0 Senior Tax Auditor, 1.0 Tax Examiner, and 1.0 Accounting Specialist) and enhancement of \$269.6 ASF in Escheat and 5.0 ASF FTEs to reflect switch funding of these positions from General Fund to Appropriated Special Fund.
- ♦ Recommend enhancement of \$170.6 ASF in Escheat and 3.0 ASF FTEs (2.0 Senior Tax Auditors and 1.0 Accounting Specialist) to increase auditing and collection of abandoned property.

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

- 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

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 with economic data, revenue and legislative analyses and public information services to assist in the office's 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 office builds the foundation for the state's General Fund budget process by providing the analysis and forecasting of revenues in support of DEFAC.

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

- Helped the state to receive a reaffirmation of its triple-A bond ratings from the three Wall Street rating agencies. Delaware has maintained these ratings since the spring of 2000 and is now one of only seven states currently holding these ratings.
- Introduced the practice of having private sector DEFAC members make formal presentations covering Delaware's key industries in order to improve the depth and scope of DEFAC's deliberations. The presentations offered the council an "insider's perspective" and shed additional light on the fiscal issues facing the state. In addition, the office continued the practice of one-on-one briefings with new members to ensure that they were able to make an immediate and meaningful contribution to the forecasting process.
- Participated in the negotiations of rebidding health care contracts and reviewing payments made to vendors. These steps helped keep out-of-pocket expenses lower for employees while simultaneously minimizing the cost to the state.
- Drafted legislation that was signed into law that will streamline tax collections, allowing businesses to obtain a three-year business license and reducing mailing costs to notify S corporations about filing requirements.

FUNDING

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	1,617.6	2,681.2	3,488.2
ASF	16,065.5	1,845.0	1,845.0
TOTAL	17,683.1	4,526.2	5,333.2

POSITIONS

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	19.0	18.0	18.0
ASF	--	--	--
NSF	--	--	--
TOTAL	19.0	18.0	18.0

OFFICE OF THE SECRETARY

25-01-01

ACTIVITIES

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.

FINANCE

25-00-00

- 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 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

- To help facilitate successful implementation of the Payroll Human Resources Statewide Technology (PHRST) upgrade statewide and implementation of the Time and Labor module in four pilot state organizations by July 1, 2004.
- Successfully complete the Comprehensive Annual Financial Report (CAFR) and ensure that the state receives a clean audit and a Government Finance Officers Association (GFOA) Certificate of Excellence.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the division's ongoing initiatives have increased the efficiency of the state's financial processes and continue to enhance the availability of information to its customers. The division is committed to reaching these goals through the application of technology. The division continuously works to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The division continues to complement the PHRST system and will provide financial expertise for the planning and development of a statewide financials Enterprise Resource Planning (ERP). Phase One (three-phase process) of the web-based application for the administration of the SuperCard program provided the ability to monitor credit card purchases online and to access on-line reports. With the implementation of the remaining two phases, the statewide purchasing function will be reengineered, providing better controls and increasing the potential for future rebate savings. In addition, software has been implemented to provide on-line access to financial reports and ad hoc capabilities for management analysis throughout the state. These are examples of how the division is proactively engaging state organizations and adopting "best practices" in financial accounting.

FINANCE

25-00-00

For the fiscal year ended June 30, 2003, the division issued the state's CAFR in full compliance with Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align 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 GFOA.

FUNDING

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	2,474.2	2,812.3	2,846.0
ASF	450.9	--	--
TOTAL	2,925.1	2,812.3	2,846.0

POSITIONS

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	37.0	36.0	36.0
ASF	--	--	--
NSF	--	--	--
TOTAL	37.0	36.0	36.0

ACCOUNTING

25-05-01

ACTIVITIES

With the advent of new technologies, the division continues to modify the way in which 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 the regular publishing of 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.
- Deliver the final phases of the management software for the SuperCard.

PERFORMANCE MEASURES

	FY 2003 Actual	FY 2004 Budget	FY 2005 Gov. Rec.
Date of the PHRST upgrade and date of the implementation of the Time and Labor module in the pilot organizations	N/A	N/A	July 1, 2004
CAFR audit report	Clean	N/A	Clean
GFOA certificate	Awarded	N/A	Awarded

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

- Increase enforcement collections by \$2.0 million in Fiscal Year 2005.
- Maintain the efficiency of issuing personal income tax refunds by keeping constant the average number of days to issue a refund at 12 days in Fiscal Year 2005.

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 its customers. One of the ongoing initiatives is the Quality Service Mailbox, which allows callers to leave comments for the division. If a caller requests a response, the division responds within 48 hours.

Electronic filing of income tax returns has continued to expand statewide. The division received over 144,000 electronically-filed returns in Fiscal Year 2003 (compared to 126,000, 101,000, 83,000, 33,000 and 6,100 returns in Fiscal Years 2002, 2001, 2000, 1998 and 1996, respectively). The division projects that it will receive 155,000 personal tax returns electronically in Fiscal Year 2004, which would represent approximately 37 percent of all such tax returns filed. These returns do not require manual intervention in the form of sorting, data entry or return validation.

The division has aggressively pursued the method of filing personal tax returns in a digital format, consisting of Internet filing, electronic software filing, and bar-coded paper filing. Digital returns reduce mail and data entry processing and, as a result, improve the refund issuance process and decrease seasonal and operating expenses. Since implementation after Fiscal Year 1995, the number of digitally-filed returns has increased from zero in Fiscal Year 1995 to 248,000 in Fiscal Year 2003.

FUNDING

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	11,416.0	11,665.9	11,603.7
ASF	1,373.6	1,665.5	2,105.7
TOTAL	12,789.6	13,331.4	13,709.4

POSITIONS

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	213.0	206.0	201.0
ASF	--	6.0	14.0
NSF	--	--	--
TOTAL	213.0	212.0	215.0

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.

PERFORMANCE MEASURES

	FY 2003 Actual	FY 2004 Budget	FY 2005 Gov. Rec.
Total enforcement collections (\$M)	\$9.45	\$7.00	\$11.00
Personal Income Tax refunds (days)	12.5	12.0	12.0

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

- Increase General Fund contribution from the Delaware State Lottery by \$14 million in Fiscal Year 2005.
- Improve customer satisfaction as measured by the Annual Satisfaction Survey by 1 percent as compared to benchmark levels of 63 percent positive for players and 76 percent positive for retailers.

BACKGROUND AND ACCOMPLISHMENTS

Fiscal Year 2003 marked one of the Delaware Lottery's most significant achievements as an organization: the receipt of the Delaware Quality Award of Merit from the American Society for Quality, Delaware Section. Delaware's Quality Award was created to foster and recognize outstanding performance in businesses and organizations across the state and, as Governor Minner wrote, "...winners of the Delaware Quality Award have the highest commitment and dedication to quality." Of the 17 Delaware organizations to have received the Quality Award of Merit since its introduction in 1992 (including such distinguished and diverse organizations as Dover Air Force Base and St. Francis Hospital), the Delaware Lottery became only the third state agency to be so honored.

For the seventh consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per capita (\$657) than in any other state. Also, Fiscal Year 2003 total net proceeds from all three racetracks topped the one-half-billion mark for the third year in a row. In addition, the close of Fiscal Year 2003 brought

FINANCE

25-00-00

legislative and regulatory changes, including extended operating hours, an increased number of machines, and a surcharge on video agents' commissions, that are projected to enhance video General Fund profits in Fiscal Year 2005 by \$20 million.

From the traditional lottery side, the Delaware Lottery continued its successful strategic marketing partnerships with the private sector, such as the development of a Harley-Davidson licensed property instant game. The lottery also continued its participation with the Delaware State Fair, maintaining its Grandstand event sponsorship and operating an information booth on the grounds during fair week. The lottery also continues to partner with the state in promoting the state's branding campaign and slogan, "It's good being first."

On the technology front, the Delaware Lottery completed a more-than-two-year project involving the design, development and implementation of a new central system. The new video central system was put into operation in October 2002 and was followed by the conversion of the traditional on-line lottery in February 2003. The traditional lottery implementation included the installation of more than 450 new, state-of-the-art TCP/IP-based lottery terminals throughout the state.

Fiscal Year 2003 also saw the Delaware Lottery win its second national Batchy Award for Excellence. Batchy Awards are presented annually by the North American Association of State and Provincial Lotteries (NASPL) in a variety of industry-related categories and media. The lottery won its most recent Batchy Award when its website, *delottery.com*, was named the premier lottery website among all North American state and provincial lotteries. A feature of particular note, the lottery posts "live-to-file" animated drawings of its on-line games to the website.

Accomplishments:

- Delaware ranked first out of the 39 U.S. lotteries with per capita annual sales of \$778 for Fiscal Year 2003.
- Delaware ranked first out of the 39 U.S. lotteries with per capita profit to the state of \$266 for Fiscal Year 2003.
- Delaware ranked ninth out of the 39 U.S. lotteries with percentage sales growth of 12 percent in Fiscal Year 2003.
- Delaware ranked tenth out of the 39 U.S. lotteries with percentage of profit to sales of 33.9 percent in Fiscal Year 2003.

- Delaware ranked sixth out of the 24 U.S. lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$32 for Fiscal Year 2003.
- Delaware ranked first out of the five U.S. lotteries with video lottery with video net proceeds of \$525.7 million for Fiscal Year 2003.
- Since the start of video lottery, the Delaware Lottery has contributed more than \$8 million to the Department of Health and Social Services to help fund problem gambling in Delaware.

FUNDING

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 GOV. REC.
GF	--	--	--
ASF	38,951.4	43,349.0	43,349.0
TOTAL	38,951.4	43,349.0	43,349.0

POSITIONS

	FY 2003 ACTUAL	FY 2004 BUDGET	FY 2005 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 2003 Actual	FY 2004 Budget	FY 2005 Gov. Rec.
GF revenue collections (\$ millions)	\$213.0	\$228.6	\$237.1
Annual Satisfaction Survey—% positive responses from players and retailers	76	77	78