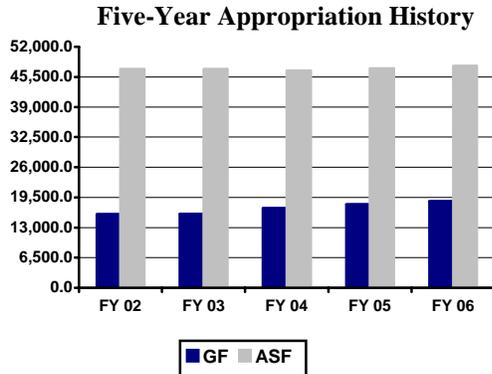
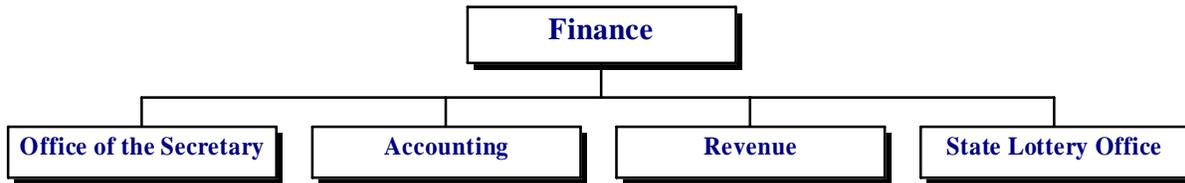


FINANCE

25-00-00



MISSION

To provide leadership in securing, allocating, managing and accounting for 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, 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 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	41,729.7	18,659.6	19,993.6
ASF	52,272.3	47,889.7	48,422.1
TOTAL	94,002.0	66,549.3	68,415.7

POSITIONS

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	255.0	250.0	246.0
ASF	44.0	47.0	54.0
NSF	--	--	--
TOTAL	299.0	297.0	300.0

FY 2007 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend \$100.0 in Accounting for the Time and Labor project for PHRST.
- ◆ Recommend \$69.6 in Personnel Costs and 2.0 FTEs (Accounting Specialist, Data Entry Technician) to administer and support the Earned Income Tax Credit (EITC) program, and \$36.5 in Personnel Costs and 1.0 FTE Accounting Specialist to support the Public Service Office.

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 maintaining the state's financial position.
- Ensure state financial policies and processes are consistent with Delaware's designation as a triple-A bond rated state.
- Provide budgetary revenue projections for June Delaware Economic and Financial Advisory Council (DEFAC) estimates that are within two percent of actual collection, excluding revenue anomalies due to exogenous and/or non recurring events.
- 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 for the 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 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 for the fifth consecutive year;
- Instrumental in the formation of a task force to study the issue of Office of Pension and Employee Benefits (OPEB) liabilities;
- Encouraged the practice of having private sector DEFAC members and outside experts make presentations covering Delaware's key economic concerns in order to improve the depth and scope of DEFAC's deliberations; and
- Participated in the negotiations of re-bidding health care contracts and reviewing payments made to vendors, to keep out-of-pocket expenses lower for employees while simultaneously minimizing the cost to the state.

FUNDING

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	27,401.1	3,680.0	4,096.1
ASF	4,774.1	1,897.5	1,897.5
TOTAL	32,175.2	5,577.5	5,993.6

POSITIONS

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	18.0	18.0	18.0
ASF	--	--	--
NSF	--	--	--
TOTAL	18.0	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.
- 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 Twenty-First Century Funds consistent with the

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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.
- Chair the Retirement Benefit Study Committee, and represent the administration on numerous boards and commissions, including the Board of Pensions, Cash Management Policy Board, Diamond State Port Corporation, Delaware Civic Center and Riverfront Development Corporation.

ACCOUNTING

25-05-00

MISSION

To provide statewide expert leadership and central support for accounting and payroll and to provide timely and accurate financial information to management and the public.

KEY OBJECTIVES

- To help facilitate the successful statewide implementation of the Time and Labor module in the Payroll Human Resources Statewide Technology (PHRST) system during Fiscal Year 2006.
- 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.
- To incorporate public and private sector best practices into the design and implementation of a statewide comprehensive financial system.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the division's on-going initiatives have increased the efficiency of the state's financial processes and continues 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 continue to provide financial expertise for the implementation of a statewide financials Enterprise Resource Planning (ERP) system. The first major upgrade of the Super Card web-based application has been completed and will further enable the state's ability to monitor credit card purchases and access reports on-line. This program enhances the statewide purchasing function by providing better controls and increasing the potential for future rebate savings. These are examples of how the division is proactively engaging state organizations and adopting best practices in financial reporting.

For the fiscal year ended June 30, 2004, the division issued the state's CAFR in full compliance with

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Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align governmental financial statements with the ones found in private industry. The division again received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for Fiscal Year 2004. This marks the tenth consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	2,843.6	2,938.0	3,227.9
ASF	10.2	--	--
TOTAL	2,853.8	2,938.0	3,227.9

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	39.0	39.0	39.0
ASF	--	--	--
NSF	--	--	--
TOTAL	39.0	39.0	39.0

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 interim financial statements and the year-end 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 agency fiscal personnel; and
- Expand on the functionality of the management software for the Super Card program.

PERFORMANCE MEASURES

	FY 2005 Actual	FY 2006 Budget	FY 2007 Gov. Rec.
CAFR audit report	Clean	*Clean	Clean
GFOA certificate	Awarded	*Awarded	Awarded
\$ Super Card usage (millions)	\$62.1	\$96.0	\$120.0

** Award will be announced at the end of Fiscal Year 2006.*

FINANCE

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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, the use of electronic technology, 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, establishment of meaningful benchmarks and 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.

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, 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 435,000 personal and 600,000 business tax returns and issues more than 320,000 tax refunds. In addition, Revenue information technology 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.

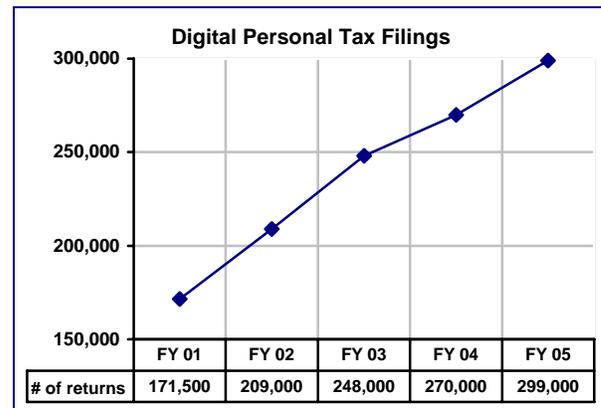
Tax enforcement includes examinations and audits (i.e., determinations of tax) and collection of delinquent accounts. The division's enforcement responsibilities encompass 15 different revenue sources, including the state's personal and corporate income taxes, gross receipts tax and realty transfer tax.

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 on-going initiatives is the Quality Service Mailbox, which allows callers to leave comments for the division. If a call requests a response, the division responds within 48 hours.

Electronic filing of income tax returns has continued to expand statewide. The division received over 197,000 electronically-filed personal tax returns in Fiscal Year 2005 (compared to 144,000 in Fiscal Year 2003). The division projects that it will receive 210,000 personal tax returns electronically in Fiscal Year 2006, which will represent approximately 48 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.

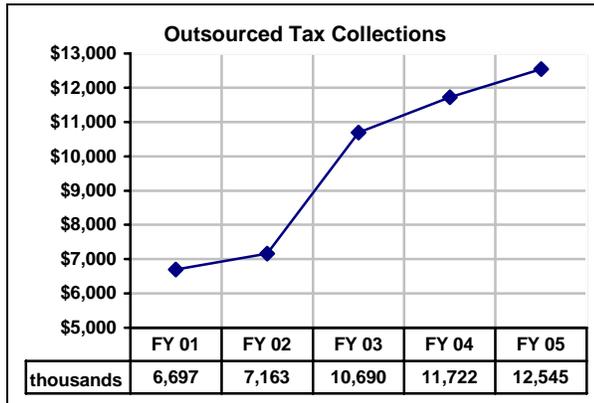
The division has aggressively promoted the method of filing personal tax returns in a digital format, consisting of Internet filing, electronic software filing, and bar coded paper filing. Digital returns reduce mail and data-entry processing and, as a result improve the refund issuance process and decrease seasonal and operating expenses. Since implementation in Fiscal Year 1996, the number of digitally filed personal tax returns has increased from zero in Fiscal Year 1995 to 299,000 in Fiscal Year 2005.



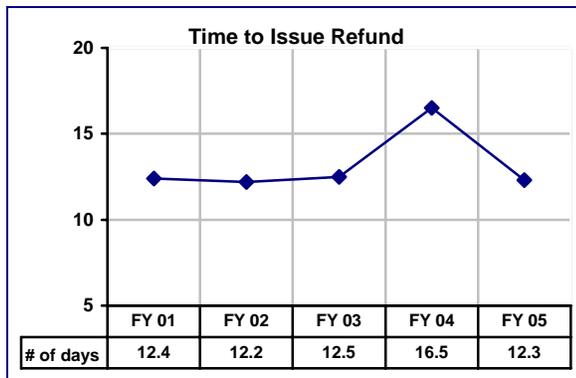
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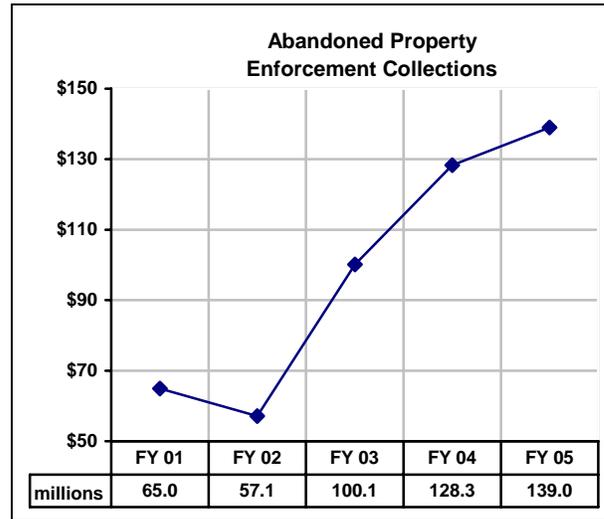
The practice of outsourcing delinquent tax collections started in May 1993, with six private firms currently deployed to collect delinquent taxes. The amount of outsourced collections increased from \$3.2 million in Fiscal Year 1995 to \$12.5 million in Fiscal Year 2005.



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 12.3 days in Fiscal Year 2005.



The collections of abandoned property have continued to increase over the last five fiscal years. In Fiscal Year 2001 the division established an enforcement group to focus on enhancing enforcement efforts. These efforts have resulted in enforcement collections that have increased from \$42.3 million in Fiscal Year 2000 to over \$139 million in Fiscal Year 2005.



FUNDING

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	11,484.6	12,041.6	12,669.6
ASF	1,932.4	2,613.2	3,016.1
TOTAL	13,417.0	14,654.8	15,685.7

POSITIONS

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	198.0	193.0	189.0
ASF	14.0	18.0	25.0
NSF	--	--	--
TOTAL	212.0	211.0	214.0

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.
- 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.

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PERFORMANCE MEASURES

	FY 2005 Actual	FY 2006 Budget	FY 2007 Gov. Rec.
\$ refund setoffs (millions)	4.6	3.8	3.8
\$ outsourced tax collections (millions)	12.5	13.0	14.5
Personal income tax refunds (days)	13.2	13	13
Digital personal returns (thousands)	299.0	300.0	315.0
Revenue automated call distribution (ACD) telephone waiting time (seconds)	26	30	25
\$ abandoned property enforcement collections (millions)	139.0	135.0	155.0
\$ abandoned property total collections (millions)	267.0	285.0	285.0

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 \$6.3 million in Fiscal Year 2007.
- Improve customer satisfaction as measured by the Lottery's Annual Satisfaction Survey to 64 percent positive for players and 85 percent positive for retailers.

BACKGROUND AND ACCOMPLISHMENTS

For the ninth consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per capita (\$719) than any other state, as Fiscal Year 2005 net proceeds from all three racetracks topped the one-half billion mark for the fifth year in a row. In addition, under the chairmanship of Delaware, the Multi-State Lottery Association's development of a super-wide area progressive network between currently eligible participating states (Delaware, Rhode Island and West Virginia) has been very successful and initial operations are expected to begin by the end of Fiscal Year 2006. Delaware's on-going leadership in this project was recognized nationally when the North American Association of State and Provincial Lotteries named the Lottery's Deputy Director for Video Lottery as a Powers Award winner, the most prestigious award in the industry.

On the traditional lottery side, Fiscal Year 2005 saw the Delaware Lottery expand its successful strategic marketing partnerships with the private sector, supporting three, high profile, in-State organizations and

FINANCE

25-00-00

their events: Lottery increased its participation with Dover International Speedway's NASCAR Nextel Cup races; continued its association with the Delaware State Fair as a Grandstand Event sponsor, plus offered games and information at a fully staffed and very popular Lottery booth during fair week; and became a key sponsor with prominent exposure at University of Delaware athletic events.

The small business community and licensed Lottery retailer network also benefited from Lottery's promotional and informational programs. Lottery's sales and marketing team, conducted more than 125 in-store event promotions in cooperation with retailers throughout the state.

In Fiscal Year 2005, the Delaware Lottery earned its sixth consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by GFOA for Lottery's CAFR. According to GFOA, the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

The demographic profile of Delaware Lottery players continues to closely resemble the profile of the adult population (aged 18 years and older) of the State of Delaware by region, gender, age, education and income. According to a recent study, 96 percent of the Delaware residents surveyed reported they were not opposed to the state offering lottery games and 93 percent believed Delaware's games to be honest. More than four in ten Delaware Lottery players feel the Delaware Lottery is an essential fund raising operation for the state and nearly one-half (47 percent) believe the Delaware Lottery encourages people to play responsibly.

Accomplishments:

- Delaware ranked first out of the 41 U.S. lotteries with per capita annual sales of \$861 for Fiscal Year 2005.
- Delaware ranked first out of the 41 U.S. lotteries with per capita profit to the state of \$293 for Fiscal Year 2005.
- Delaware ranked eighth out of the 41 U.S. lotteries with percentage of profit to sales of 34 percent in Fiscal Year 2005.
- Delaware ranked sixth out of the 28 U.S. lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$32 for Fiscal Year 2005.
- Delaware ranked third out of the six U.S. lotteries operating video lottery with video net proceeds of \$575.2 million for Fiscal Year 2005.

- Since the start of video lottery, the Delaware Lottery has contributed \$11.5 million to the Department of Health and Social Services to help fund problem gambling treatment programs in Delaware.

FUNDING

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 GOV. REC.
GF	--	--	--
ASF	45,555.8	43,379.0	43,508.5
TOTAL	45,555.8	43,379.0	43,508.5

POSITIONS

	FY 2005 ACTUAL	FY 2006 BUDGET	FY 2007 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.
- Explore new video lottery gaming formats that will allow the industry to stay competitive with neighboring states.
- Implement an enhancement to the statewide video lottery's central system that will allow greater flexibility in the selection of games that will be made available to patrons.

PERFORMANCE MEASURES

	FY 2005 Actual	FY 2006 Budget	FY 2007 Gov. Rec.
\$ GF revenue collections (millions)	234.0	242.0	240.3
Annual satisfaction survey—% of positive responses from:			
players	60	62	64
retailers	83	84	85