

OTHER ELECTIVE 12-00-00

Other Elective

Lieutenant Governor

Auditor of Accounts

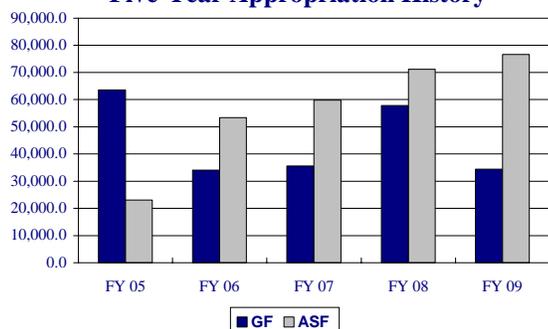
Insurance Commissioner

State Treasurer

- Regulatory Activities
- Bureau of Exam, Rehabilitation
and Guaranty

- Administration
- Debt Management
- Refunds and Grants
(Not a Unit for Budgeting Purposes)

Five-Year Appropriation History



FUNDING

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	79,379.9	34,360.4	55,321.2
ASF	69,763.6	76,639.7	79,285.1
TOTAL	149,143.5	111,000.1	134,606.3

POSITIONS

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	56.5	41.5	40.5
ASF	96.5	97.5	97.5
NSF	3.0	3.0	3.0
TOTAL	156.0	142.0	141.0

Auditor of Accounts

- ◆ Recommend (\$98.8) in Strategic Reduction/Investment Target to identify additional expenditure reductions and/or revenue enhancements necessary due to deteriorating economic conditions.
- ◆ Recommend (\$5.0) to reflect a reduction in operating expenditures.

Insurance Commissioner

- ◆ Recommend (\$526.5) ASF to reflect projected expenditures.

State Treasurer

- ◆ Recommend (\$54.0) and (1.0) FTE to reflect a complement reduction and (\$3.0) to reflect a reduction in operating expenditures.

FY 2010 BUDGET HIGHLIGHTS

OPERATING BUDGET:

Lieutenant Governor

- ◆ Recommend (\$2.3) in Strategic Reduction/Investment Target to identify additional expenditure reductions and/or revenue enhancements necessary due to deteriorating economic conditions.
- ◆ Recommend (\$4.5) to reflect a reduction in operating expenditures.

OTHER ELECTIVE 12-00-00

LIEUTENANT GOVERNOR 12-01-01

MISSION

To fulfill the constitutional duties of the office by effectively presiding over the State Senate, fairly and equitably chairing the Board of Pardons, assisting the Governor when asked and providing complete and efficient services to constituents. Additionally, to help improve schools, promote healthier lifestyles, make government more constituent friendly, and find new economic opportunities for Delaware.

KEY OBJECTIVES

- Promote healthy lifestyles as a tool to improve quality of life for all Delawareans and reduce the incidence of chronic diseases.
- Identify Delaware public schools that have shown continuous improvement in student achievement and provide those schools the opportunity to share their successes and methods with other schools.
- Create and facilitate a pilot mentorship between a school that has raised student achievement and one that is looking for proven methods to implement.
- Serve residents by helping them navigate state government to find the answers to their questions and the solutions to their problems.
- Continue to identify and develop solutions and alternatives to addressing health-related issues such as uninsured and underinsured, disparities that exist in different communities, and the rising cost of health insurance.

BACKGROUND AND ACCOMPLISHMENTS

The constitutional duties of the Lieutenant Governor are President of the Senate and President of the Board of Pardons. The office also handles constituent work and other initiatives to serve the residents of Delaware.

FUNDING

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	569.0	585.0	579.5
ASF	--	--	--
TOTAL	569.0	585.0	579.5

POSITIONS

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	6.0	6.0	6.0
ASF	--	--	--
NSF	--	--	--
TOTAL	6.0	6.0	6.0

ACTIVITIES

The duties and activities of the Lieutenant Governor and staff include the following:

- President, Delaware State Senate;
- President, Board of Pardons;
- Chair, Delaware Health Care Commission;
- Chair, Criminal Justice Council;
- Chair, Science and Technology Council;
- Chair, Delaware Center for Educational Technology;
- Chair, Livable Delaware Advisory Council;
- Chair, Interagency Council on Adult Literacy;
- Past Chair, National Lieutenant Governors Association;
- Executive Committee, National Lieutenant Governors Association;
- Chair, Small Business Committee;
- Chair, Single Payer Committee;
- Member, Delaware River and Bay Oversight Committee;
- Member, State Budget Commission;
- Member, United Way Cabinet Committee;
- Honorary Chair, Delaware SafeKids; and
- Honorary Chair, State Employees Charitable Campaign.

OTHER ELECTIVE

12-00-00

AUDITOR OF ACCOUNTS

12-02-01

MISSION

The mission of the Office of Auditor of Accounts is to benefit all Delaware citizens and government leaders and managers by providing high quality audit, review and investigative services to improve the fiscal integrity, efficiency, economy, and effectiveness of state government operations.

KEY OBJECTIVES

- Issue timely reports that enhance public accountability and stewardship of state and federal government programs.
- Identify and reduce fraud, waste and abuse in state and local organizations that receive state funds.
- Maintain a high quality of audit services as evidenced by passing the National State Auditor Association's external quality control peer review, and 100 percent of professional staff completing 80 hours of continuing professional education (CPE) requirements every two years.

The objectives of the Office/Contract Administration section are to ensure that the office operates in accordance with state laws and regulations, and that audits are contracted out in accordance with state laws and regulations. This section also ensures that contracted audits are accomplished within the required timeframe as set forth by federal and state governments and provides information systems support to other audit sections within the office. This section is also responsible for the Statewide Single Audit Report that is required to be submitted to the federal government every March 31. The objectives of the Statewide Single Audit are as follows:

- To express an opinion as to whether the State of Delaware's financial statements are presented fairly in all material respects in conformity with Generally Accepted Accounting Principles and whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- To report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

- To express an opinion as to whether the State complied with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program.
- To ensure that prior audit recommendations, questioned costs and disallowances reported in the Single Audit Report for fiscal year ending June 30, 2007, have been resolved.

The objectives of the Financial/Compliance section are to issue audit reports/engagements to improve the internal control structure, operations, compliance with laws and regulations, and opinions on financial statements in a timely manner.

The objectives of the Investigative Audit section are to conduct investigations that may involve activities of waste, fraud, or abuse of state and/or federal resources, and ensure that the Auditor's Hotline program is a viable service to the citizens of the State of Delaware.

BACKGROUND AND ACCOMPLISHMENTS

The audits and investigations completed by the office in Fiscal Year 2008 cumulatively identified more than \$11.7 million in cost savings and questioned costs and potential fraud, waste or abuse of state and federal funds.

The Fiscal Year 2007 Single Audit Report, completed during Fiscal Year 2008, contained 48 findings and recommendations, and disclosed questioned and disallowed costs that totaled \$6.8 million.

During Fiscal Year 2008, the office completed mandated audit reports which resulted in potential cost savings of nearly \$1.1 million.

Thirteen in-depth investigations were conducted which uncovered \$3.8 million in fraud, waste and abuse. The investigations disclosed 38 findings and recommendations.

FUNDING

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	2,454.3	2,725.7	2,628.3
ASF	643.5	980.5	981.4
TOTAL	3,097.8	3,706.2	3,609.7

POSITIONS

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	36.0	21.0	21.0
ASF	6.0	9.0	9.0
NSF	--	--	--
TOTAL	42.0	30.0	30.0

OTHER ELECTIVE 12-00-00

ACTIVITIES

- Evaluate whether the State's financial statements are presented in accordance with accounting principles generally accepted in the United States.
- Evaluate whether government and quasi-government organizations included in the State's entity have expended federal funds in accordance with the Single Audit Act and various related federal regulations.
- Evaluate compliance with state laws, administrative regulations and guidelines.
- Investigate reported instances of fraud, waste or abuse pertaining to state and federal funds.

The Auditor of Accounts and staff are active in the following organizations:

- Past President and Member, National Association of State Auditors, Comptrollers and Treasurers;
- Member, National State Auditors Association (NSAA); Accounting and Financial Reporting Committee and Single Audit Committee for NSAA;
- Member, State Board of Pardons;
- Member, State Insurance Determination Committee;
- Past Local Chapter President and Member, Association of Government Accountants;
- Member, Association of Certified Fraud Examiners;
- Member, National Audit Forum;
- State Representative and Program Committee Chairperson, Mid-Atlantic Intergovernmental Audit Forum;
- Member, Association of Certified Fraud Specialists;
- Member, American Institute of Certified Public Accountants;
- Member, Institute for Internal Controls;
- Member, Delaware League of Local Governments (DLLG); and
- Member, Government Financial Officers Association (GFOA).

PERFORMANCE MEASURES

	FY 2008 Actual	FY 2009 Budget	FY 2010 Gov. Rec.
% of audit reports issued within 45 business days of end of fieldwork	75	100	100
% of recommendations agreed to by auditee	81	80	80
% of cases with criminal allegations turned over to the Attorney General's Office within 7 working days after investigation	81	80	80
% of non-criminal investigation reports issued to the organization within 45 days after completion of fieldwork	76	100	100
\$ of cost savings provided from performing Single Audit (thousands)	361.7	300.0	300.0
% staff utilization	67	70	70
% of CPE compliance for active licenses/certifications	100	100	100
# of licenses and certifications held by staff	65	80	80

OTHER ELECTIVE

12-00-00

INSURANCE COMMISSIONER

12-03-00

MISSION

The Insurance Commissioner of the State of Delaware and the Department of Insurance will strive to:

- Protect Delaware insurance consumers;
- Inform consumers of their options and rights when it comes to their insurance;
- Serve consumers by controlling the cost of insurance and increasing its availability;
- Advocate for and assist consumers in disputes with their insurance companies and agents; and
- Regulate the insurance industry - including the solvency of insurance companies and the licensure of insurance agents - with the best interest of Delaware's insurance consumers in mind.

KEY OBJECTIVES

Since January 2005, the goal of the Insurance Commissioner's Office has been to improve its service and responsiveness to, and advocacy for, Delaware citizens and businesses in the area of insurance. Key objectives for the Commissioner and staff include:

- Respond to consumer inquiries and complaints within 24 hours;
- Require insurance companies to respond to Commissioner's Office inquiries made on behalf of consumers within 21 days;
- Make public to consumers the number and nature of complaints against insurance companies;
- Expand the amount of consumer information and guidance on insurance topics provided to consumers by the Commissioner's Office through publications, online, public consumer alerts, and community outreach;
- Increase the scrutiny of insurance company rate applications;
- Increase frequency of market conduct examinations of insurance companies when there are practices that appear to not be in the best interest of consumers;
- Analyze and assess the financial condition of insurance entities domesticated and doing business in Delaware;

- Manage, rehabilitate or liquidate financially-impaired insurers;
- Increase activities and efforts to prevent and prosecute insurance fraud;
- Regulate agent licensing, with a goal of better service to consumers;
- Encourage competition in the Delaware insurance market; and
- Seek changes to the Delaware Code, changes to insurance regulations and new programs within state government in order to better protect, inform, serve, and advocate for consumers.

BACKGROUND AND ACCOMPLISHMENTS

With a continued focus on consumers, the Commissioner and the Department have completed the following:

- Cited insurance companies for practices that hurt consumers, with fines ranging from \$15,000 to \$500,000;
- Decreased average workers compensation insurance premiums more than 30 percent since 2005, through combination of workers compensation reform legislation and increased Department scrutiny of workers compensation insurance rate applications;
- Worked with Delaware's legal and financial sectors to attract new captive insurance companies to the State;
- Protected military service members from unscrupulous practices by life insurance agents through regulation;
- Held auto insurance rates from major companies nearly even since 2005, rejecting some proposed increases;
- Worked with the General Assembly to pass one of the toughest laws in the country regarding homeowner insurance cancellations;
- Due to cost-saving measures within the Department, contributed \$1 million to the General Fund;
- Created or updated publications for consumers on Medicare, credit scoring, insurance issues for members of the military, and insurance issues for civic and homeowner associations; and
- Conducted outreach sessions to provide insurance information and complaint services in community centers, senior centers and churches.

OTHER ELECTIVE 12-00-00

ACTIVITIES

- Member, Delaware Health Care Commission.
- Member, Delaware State Employee Benefits and Insurance Coverage committees.
- Member, National Association of Insurance Commissioners (NAIC).

FUNDING

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	--	--	--
ASF	24,077.2	25,613.5	25,087.0
TOTAL	24,077.2	25,613.5	25,087.0

POSITIONS

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	--	--	--
ASF	81.0	79.0	79.0
NSF	2.0	2.0	2.0
TOTAL	83.0	81.0	81.0

REGULATORY ACTIVITIES

12-03-01

ACTIVITIES

Fraud Prevention Bureau - Property and casualty, life insurance, healthcare and workers compensation cases are reported to the Bureau. In Fiscal Year 2008, the Fraud Prevention Bureau investigated 445 cases. Approximately 55 percent of the cases were resolved by consent or arrest, deemed to be unfounded or dispositions were suspended.

The Fraud Prevention Bureau has prevented nearly \$5.5 million in reserves from being processed since it was created in 1995. Approximately \$56,978 in civil penalties were assessed in substantiated fraud cases during Fiscal Year 2008.

Several current members of the Fraud Prevention Bureau hold certifications in professional associations such as the Association of Certified Fraud Specialists (ACFS) and Association of Accredited Healthcare Fraud Investigators.

Fraud investigators also maintain the following activities:

- Member, Delaware Valley Chapter of International Association of Special Investigative Units (SIU);
- Member, NAIC Anti-Fraud Task Force;
- Member, National Insurance Crime Bureau (NICB);
- Member, International Association of Special Investigation Units;

- Member, National Health Care Anti-Fraud Association; and
- Special training on Health Care Fraud Detection and Investigation and Claims Fraud.

PERFORMANCE MEASURES

	FY 2008 Actual	FY 2009 Budget	FY 2010 Gov. Rec.
# of new licenses:			
producers	13,041	13,300	12,500
adjusters	5,554	5,000	5,500
appraisers	48	55	60
public adjusters	21	15	25
fraternal producers	29	20	35
apprentice adjusters	67	135	75
apprentice appraisers	10	8	10
surplus lines brokers	208	285	250
limited lines producers	375	270	375
business entities	728	800	800
# of agents appointed	58,636	54,000	55,000
# of consumer complaints/inquiries	6,256	10,000	9,000
# of consumer complaints/inquiries resolved	6,193	9,000	8,000
# of arbitration cases heard	132	170	170
# of arbitration cases closed without hearing	148	160	160
# of participants in Workplace Safety program	(CY07) 1,491	(CY08) 1,600	(CY09) 1,550

BUREAU OF EXAMINATION, REHABILITATION AND GUARANTY **12-03-02**

ACTIVITIES

Consumer Services - The Consumer Services section investigates and attempts to resolve complaints by Delaware consumers against insurance companies and agents. As the frontline in the Department's interaction with and service to Delaware insurance consumers, the Consumer Services section has been at the center of many of the changes to the Department since January 2005, including a new director position, new deadlines for companies to respond to the Department regarding consumer complaints and a number of administrative actions brought against insurance companies based on complaints from Delawareans to the Department.

Since 2005, the Department has put increased emphasis and resources into reaching consumers, with increased presence at community events, visits by the Commissioner to every senior center in the State, and rotating visits by Consumer Services staff to churches in the City of Wilmington. The Department has also published a number

OTHER ELECTIVE

12-00-00

of new guides on insurance topics that have been inserted into weekly newspapers and has redesigned and added consumer content to the website. Almost all outreach and promotional materials include the Consumer Services phone number and the Department email address.

Over the last two years, Consumer Services has noticed a marked downturn in the number of cases being brought to the Department, even with increased consumer activity and outreach. It is the Department's position that the aggressive pro-consumer stance of the last few years is altering company behavior when it comes to consumer complaints, resulting in more complaints being resolved at the company level and fewer being brought to the Department.

Examinations/Financial Analysis - The primary responsibilities for the Examination and Financial Analysis units are to provide financial solvency oversight for Delaware domesticated companies and to perform financial and market conduct examinations as required by statute or as deemed necessary for the protection of Delaware policyholders. The State of Delaware is highly regarded in the business community for its organization and/or domestication. As such, the demand for domestication and redomestication is significant. The Department received reaccreditation from the NAIC in 2003 for five years, which has since been extended a year to 2009.

Bureau personnel are responsible for the registration and/or licensing of 54 accredited reinsurers, seven Medicare prescription plans, 109 surplus lines insurers, 29 premium finance companies, 33 reinsurance intermediaries, 158 third party administrators, 465 risk purchasing groups and 94 risk retention groups.

Market Conduct Oversight - This section is comprised of company market conduct, agency market conduct and market analysis; rates and forms; producer licensing; and continuing education. This section conducts examinations of companies to be sure that companies are in compliance with the Delaware Insurance Code and Regulations with respect to rating, underwriting and claim handling practices. Exams can be scheduled based on complaint activity, special requests or on a regular schedule.

In addition to regular examinations, the Department is currently targeting company reviews regarding homeowner coverage, credit scoring practices, rate increase practices in personal lines (auto and homeowner) and health insurance including long-term care insurance. As a result of an exam, one carrier has an ongoing market conduct activity with a consent decree with a possible fine of up to \$500,000. The Department is also participating in the NAIC Market Analysis program and is responsible for gathering industry information from a variety of sources, including consumer complaints, company filings, NAIC

databases, and research tools; and analyzing that information to determine which companies need further scrutiny by the Department. Once this section has completed its analysis and a company has been identified, the market conduct section follows up with that company to review and test the company's compliance with Delaware insurance laws. This follow-up can take the form of interviews, interrogatories, desk audits, or examinations.

This section exceeded goals set by the NAIC in respect to market analysis by completing 128 insurance carrier market analysis reviews. The goal for the current fiscal year will be to meet or exceed the expectations of the NAIC relating to market analysis.

Agency Market Conduct - This section receives referrals from the public as well as from the Consumer Services and Fraud Bureau sections regarding alleged misconduct of insurance agents and agencies. In addition, the Agency Market Conduct section conducts examinations of agents and agencies to make sure they are in compliance with the Delaware Insurance Code and Regulations.

The Agency Market Conduct section also reviews producer/adjuster applications regarding prior criminal or civil actions. Some of these have resulted in fines being assessed.

This section implemented the State Based Systems (SBS) online database in November 2006. SBS is designed to assist with the full life cycle of insurance regulatory activity, including licensing, consumer services, product approvals, revenue management, and market conduct. SBS ensures efficient and accurate processing of enforcement cases through a fully integrated system that is linked to the Company and Producer Licensing systems.

Agency Market Conduct staff investigated 364 cases. Approximately 250 cases were resolved by consent or arrest. Approximately \$221,082 was collected in civil penalties and restitution.

The examiners in this section are pursuing Accredited Insurance Examiner (AIE), Certified Insurance Examiner (CIE) and Certified Professional Insurance Woman (CPIW) designations. Agency Market Conduct employees also maintain membership and participate in the following activities:

- Member, NAIC;
- Member, Securities Insurance Licensing Association (SILA);
- Member, System for Electronic Rate and Form Filing (SERFF);
- Member, State Based Systems;
- Member, Insurance Regulatory Examiners Society (IRES), including Board of Directors; and

OTHER ELECTIVE

12-00-00

- Member, National Association of Insurance Women (NAIW).

Producer Licensing - This section is responsible for the licensing and administration of the following license types: Producer, Adjuster, Appraiser, Public Adjuster, Fraternal Producer, Apprentice Adjuster, Apprentice Appraiser, Surplus Lines Broker, Limited Lines Producer, and Business Entities. The section is also responsible for insurance company appointments, continuing education, investigations, and insurer licensing market conduct issues.

Staff has provided presentations to consumer advocate groups, the general public, professional insurance organizations including agent associations and business entities, industry trade groups, and insurance companies on current insurance industry trends and regulatory changes, enforcement issues and ethics.

The section has continued to enhance the electronic application process by providing both residents and non-residents the ability to apply online and renew licenses through the National Insurance Producer Registry (NIPR).

The NIPR Gateway is a communication network that links State insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information. Address change requests are now processed through NIPR, and licensees now have the ability to update their addresses online in every state in which they are licensed. Follow-up submission and review of supporting documentation is frequently requested by a state as part of the licensing process. The NIPR has implemented an Electronic Attachment Warehouse that allows licensees to attach any supporting documents directly to the license submission. The Attachment Warehouse accepts attachments from both individual and business entity licensees. The documents may now be submitted to the Document Warehouse, and the participating state is notified that it is available for review and/or download. The documents only need to be submitted once by the licensee, and any participating state can obtain the document. This initiative has streamlined the process for both the licensees and the Department.

Agents Bulletin No. 15 was signed into effect in January of 2008. This Bulletin requires the mandatory filing of all license and renewal applications electronically. The impact of Bulletin No. 15 will increase efficiencies and decrease cost to the Producer Licensing section by eliminating hard copy applications and checks and streamline the issuance of insurance licenses within 24 hours.

Workplace Safety Program - This program, available to employers doing business in Delaware, offers participants the opportunity to earn up to a 19 percent discount on workers compensation premiums. Employers who have been in operation three years or more, and whose annual

workers compensation premium is \$3,161 or more are eligible to participate.

The program works with the Delaware Compensation Rating Bureau, qualified inspectors, insurance industry and employers to ensure accuracy of information and expeditious processing of each employer's safety credit.

Since its inception in 1988, the program has yielded a savings of approximately \$77 million for Delaware employers. Participation was 1,491 employers in calendar year 2007, with a projection of 1,500 participants in calendar year 2008.

Rates and Forms - The Department has enhanced the tracking and monitoring of rate and form filings with the implementation of a new version of the System for Electronic Rate and Form Filing (SERFF). SERFF is designed to enable companies to send and receive, comment on, and approve or reject insurance industry rate and form filings electronically. Applications and procedures have been updated to streamline the review of filings within SERFF and to speed to market for filings. The Rates and Forms section streamlined the approval process prior to sending filings to the Commissioner for final approval.

Forms and Rates Bulletin No. 31 was effective November 1, 2007. This Bulletin requires all rate, forms, rules and advertisement filings to be submitted electronically through SERFF. Approximately 94 percent of the filings have been received electronically since the implementation of this Bulletin. Requiring all filings to be submitted electronically has increased the efficiency of the rate and form filing approval process for both the filer and the Department.

The Rates and Forms section maintains the following activities:

- Board Member, Delaware Health Information Network (DHIN);
- Member, Interagency Coordinating Council (ICC);
- Member, Chronic Illness Task Force;
- Member, NAIC Senior Issues Medigap Subgroup;
- One staff member holds the designation of Fellow, Life Management Institute from the Life Office Management Association; and
- Member - Association of Insurance Compliance Professionals (AICP) - two staff members have completed courses for professional designation as Associate Compliance Professional (ACP).

ELDERinfo - ELDERinfo is the State Health Insurance program (SHIP) for Delaware's Medicare population of approximately 125,929. The program is a public service of the Delaware Insurance Department and funded, in part,

OTHER ELECTIVE 12-00-00

through a grant from the Centers for Medicare and Medicaid Services (CMS), though the Department has increasingly supplemented the program's budget in order to expand its services to consumers.

The program is designed to assist, educate and empower people with Medicare and their caregivers with complex and often confusing matters concerning: the Medicare Prescription Drug Improvement and Modernization Act of 2003; Medigap and other supplemental insurance; medical bills; enrollment issues; non-renewals; Medicare Advantage options; guaranteed issue rights; financial assistance with prescriptions; Medicare Savings programs; long-term care insurance; and other health insurance matters.

Staffing consists of three employees and 18 volunteer counselors throughout the State conducting one-on-one counseling. From June 2007 through June 2008, the unit assisted 5,359 beneficiaries with one-on-one counseling and reached more than 49,830 individuals through interactive public presentations, health fairs and direct mailings. The unit mailed 467 Delaware Prescription Assistance program (DPAP) applications, and 320 Medicaid applications, resulting in potential savings of more than \$1,416,256 with prescription drug benefits and savings for the Medicare premium reimbursement.

ELDERinfo continues to focus on one-on-one counseling for Delaware seniors. The unit will continue to educate the Medicare population through direct mailers, health fairs, outreach programs, radio/TV interviews, senior forums, and one-on-one counseling.

Captive Insurance Program - Created in 2006 following the passage of legislation revamping existing laws, the Delaware Captive Insurance program is targeting the growing sector of insurance companies that are owned by the entities they insure. Much like Delaware's incorporation business, the captive insurance business has the potential to make significant contributions to Delaware's economy and General Fund. With the new law, a concentrated marketing and outreach effort and partnerships with the private sector, the number of captive insurance companies domiciled in Delaware has grown from an original five to an expected 30 by the end of Fiscal Year 2009.

PERFORMANCE MEASURES

	FY 2008 Actual	FY 2009 Budget	FY 2010 Gov. Rec.
# of rates received	3,107	3,150	3,150
# of forms received	33,611	29,600	30,000
# of advertisements received	335	325	325
# of rules received	2,626	2,500	2,500
# of companies regulated:			
domestic	149	145	151
foreign	1,449	1,473	1,513
# of companies examined	56	62	59
# of companies liquidated:			
domestic	5	5	4
ancillary	0	0	0
# of companies under supervision/rehabilitation	1	3	1
# of market conducts	95	45	50
# of captive insurance companies	18	27	40

OTHER ELECTIVE 12-00-00

STATE TREASURER 12-05-00

MISSION

To maximize taxpayer value by promoting responsible cash management and investment practices statewide.

FUNDING

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	76,356.6	31,049.7	52,113.4
ASF	45,042.9	50,045.7	53,216.7
TOTAL	121,399.5	81,095.4	105,330.1

POSITIONS

	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2010 GOV. REC.
GF	14.5	14.5	13.5
ASF	9.5	9.5	9.5
NSF	1.0	1.0	1.0
TOTAL	25.0	25.0	24.0

ADMINISTRATION 12-05-01

MISSION

To ensure the accuracy of financial records under the agency's control; manage the State's daily and invested cash balances in accordance with approved guidelines; pay all employees and vendors as authorized by law; serve as federal Social Security agent for the State; administer and assist State employees with the financial aspects of the Deferred Compensation program, 403(b) programs and the Delaware College Investment Plan; respond in a timely, accurate and courteous manner to any inquiry directed to the office; and faithfully discharge any and all further obligations given under statute.

KEY OBJECTIVES

- Accurate daily reconciliation of the State's bank accounts and the accounting of the State's cash position and investments.
- Increase participation of eligible employees in the Deferred Compensation program through effective marketing and investment education.
- Increase volume of vendor payments made electronically and expand consolidated payments.
- Increase the number of households participating in the Delaware College Investment Plan.

- Maintain statewide financial literacy efforts.
- Increase efforts, such as demographic analyses and tools for seniors, to help Delaware prepare for future trends impacting state finances.
- Continue to champion electronic commerce.

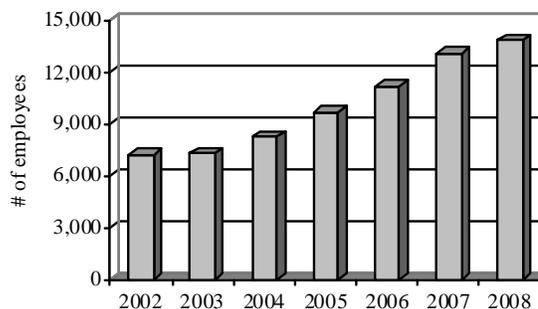
BACKGROUND AND ACCOMPLISHMENTS

During Fiscal Year 2008, the State Treasurer's Office continued to develop and meet ambitious objectives related to improving internal operations and services to agencies, vendors, State employees, and taxpayers. Equally important, this agency continues its successful promotion of financial literacy. Nurturing a savings/investment ethic among State employees and the Delaware citizenry, the Office of State Treasurer partners several financial education initiatives.

Deferred Compensation Program

Since the October 1999 conversion, participation in the State of Delaware Deferred Compensation program has grown from 3,400 to 13,855 in September 2008. Although currently suspended, since the passage of Senate Bill 425 more than \$17.8 million has accumulated in state employee match accounts. State employees contribute more than \$1.4 million per pay cycle and have over \$291 million saved toward their retirement.

**Deferred Compensation Program
Participation**



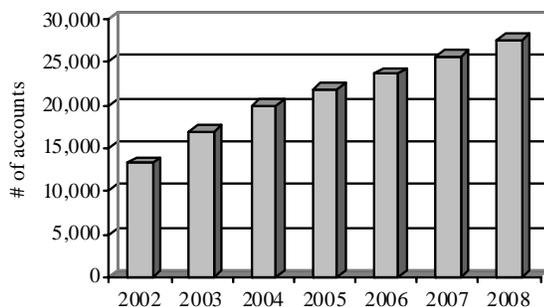
College Savings

Since the appointment of the State Treasurer to chair the Delaware College Investment Plan Board in July 1999, the number of new accounts has grown from 824 to more than 27,625. Assets now total more than \$378 million, down from \$399 million this time last year.

OTHER ELECTIVE

12-00-00

Delaware College Investment Plan



Reconciliation

The statewide bank reconciliation audit has been completed again with no findings. This is a reflection of the dedication and hard work of the staff in the Reconciliation unit of the Treasurer's Office. In addition, that unit continues to manage the reconciliation of the growing credit card revenue to the State.

The Treasurer's Office maintains a constant improvement policy for fraud prevention, including the use of positive pay amount and check number on vendor and payroll checks. The office also works with other state agencies on internal processes and increasing professional education to keep up with ways to fight fraud.

Payables

The Treasurer's Office continues to work on improvements to vendor payments. Most importantly, the office continues to expand the use of consolidated checks and consolidated automated clearinghouse (ACH) payments. This technology combines multiple agency payments into one transaction while maintaining all the necessary payment detail for the vendor. We continue to provide input to the design and functionality of the new financial system, including the use of consolidated ACH payments as a safe and secure substitute for live check issuance.

Cash Management

The Cash Management unit maintains all of the State's major banking services contracts and is also responsible for the daily investment of the State's cash pool of over \$1.5 billion. The unit is also responsible for promoting the State's partnership with Export Import Bank of the U.S., assisting state agencies with banking and vendor payment needs, interest calculations for all school and special funds, investment compliance and the estimate of dividend and interest income for the Delaware Economic and Financial Advisory Council (DEFAC).

Education and Financial Literacy

The State Treasurer's Office continues to see considerable interest in *Delaware Facing Forward - A Look at*

Delaware's Demographic Future which was completed in the summer of 2007, and also the Senior Tool Kit which was produced to assist Delawareans managing the many financial challenges facing our older citizens. The Purses to Portfolios, free women's money conference continued its success throughout the State, and the Treasurer's Summit for High School kids from throughout Delaware has also provided lasting impact for hundreds of Delaware youth.

In partnership with financial professionals throughout Delaware, the Delaware Money School features hundreds of classes statewide throughout the year. The Treasurer's Office also continues to partner with the Delaware State Chamber of Commerce and University of Delaware, Center for Economic Education in the Bank-In-School program operating in elementary and secondary schools throughout the State.

The Go Direct program lead by the State Treasurer in partnership with the federal government encourages Delaware seniors to enroll in direct deposit to help reduce check fraud and provide quick, safe and secure access to their money.

ACTIVITIES

- Daily settlement of the cash position to ensure that funds are recorded in appropriate accounts while maximizing dollars available for investment.
- Administration and promotion of the State Deferred Compensation program.
- Reform, legal compliance, and administration of the new 403(b) tax deferred saving program.
- Promote saving for college education activities and provide staff to the Delaware College Investment Plan (DCIP) 529 College Savings Board.
- Oversee and support the State's relationship with the Export Import Bank of the United States.
- Daily recording and deposit of receipts including tracking ACH activity.
- Reconcile major State bank accounts and lockboxes.
- Disburse funds to meet financial obligations, including ACHs, wire transfers and daily processing of vendor checks.
- Provide service to agencies and schools by issuing stop payment/reissues and other check requests.
- Manage 218 agreements statewide with the federal Social Security Administration.
- Process payroll, pension and personal income tax refunds.

OTHER ELECTIVE 12-00-00

- Facilitate cash management projects statewide that improve efficiency by reducing float, eliminating paper and streamlining processes.
- Reconcile state payroll and payment of federal taxes.
- Disburse municipal street aid, support to fire organizations and police pensions.
- Approve, monitor and reconcile the State's acceptance of credit cards by any state agency.

PERFORMANCE MEASURES

	FY 2008 Actual	FY 2009 Budget	FY 2010 Gov. Rec.
# of Deferred Compensation participants	14,000	13,800	14,000
# of Delaware College Investment Plan accounts	27,316	27,800	28,200
# of days to reconcile major accounts	5	5	5
\$ ACH vendor payments (billions)	2.5	2.6	2.7

DEBT MANAGEMENT 12-05-03

MISSION

To manage the State's debt including legal and accounting records; process and account for all local school debt and interest; process and account for all special fund balances and interest; and to provide overall guidance and accounting in order to maximize tax payer value in the area of debt issuance.

KEY OBJECTIVES

- Provide guidance to state officials regarding debt issuance and capital financing which maximizes taxpayer value and protects the interests of the prudent investor.
- Develop an overall accounting and data retrieval system in the Treasurer's Office that will link bond authorizations, bond sales, amortizations, debt budgeting, and debt payments into an integrated system with less reliance on manual calculations and operations and coordinate with the State's new financial system.
- Work with the Division of Accounting to improve electronic reporting of special and school funds interest within the Delaware Financial Management System (DFMS) and new financial system.

- Coordinate the payment of principal and interest on behalf of all state agencies, school districts, banks, and other financial institutions.

BACKGROUND AND ACCOMPLISHMENTS

During Fiscal Year 2008, all debt service payments to the Depository Trust Company were met on the bond due dates which entailed:

- Disbursement of \$193.7 million for 20 General Obligation issues on \$1,376.0 million outstanding on June 30, 2008; and
- Collection of \$52.0 million from schools for the repayment of their local share of school construction on \$516.6 million outstanding local share bonds on June 30, 2008.

ACTIVITIES

- Maintain records required for bond projects as authorized by the annual Capital Improvement Act from authorization through bond sale and 10 or 20-year amortizations of the projects.
- Provide the Office of Management and Budget with the principal and interest payments due by department, division and organization.
- Provide Bond Counsel with data relating to bond projects including project identification, description, volume, and chapter required to obtain legal opinion for the bond issue.
- Establish, monitor, calculate and pay interest on approximately 464 special funds on deposit with the State Treasurer. Interest in Fiscal Year 2008 totaled more than \$23.6 million.
- Provide assistance to local school districts in acquiring an Attorney General's opinion in securing a Bond Anticipation Note or permanent bond financing of the local share.
- Maintain the school interest table in DFMS to calculate interest to schools for their operation, debt service and construction funds on deposit with the State Treasurer. Interest paid to school districts on their funds on deposit with the State Treasurer totaled \$16.7 million for Fiscal Year 2008.
- Assist the general public with any inquiries concerning state bonds.

PERFORMANCE MEASURE

	FY 2008 Actual	FY 2009 Budget	FY 2010 Gov. Rec.
% of accounting automation for debt issuances	100	100	100

OTHER ELECTIVE
12-00-00

REFUNDS AND GRANTS
12-05-04

MISSION

To process refunds for improperly collected fees or receipts and maintain an accurate accounting of fiscal year refunds issued. To accurately and timely process grants-in-aid in accordance with legislation.

KEY OBJECTIVE

- Streamline the processing of revenue refunds.

BACKGROUND AND ACCOMPLISHMENTS

As per 29 Del. C. § 713, the State Treasurer executes a payment voucher as a direct claim in the event that any agency improperly collects fees or receipts that become revenue to the General Fund.

In accordance with the annual grants-in-aid legislation, this agency makes quarterly disbursements to non-profit organizations.