

FINANCE

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Finance

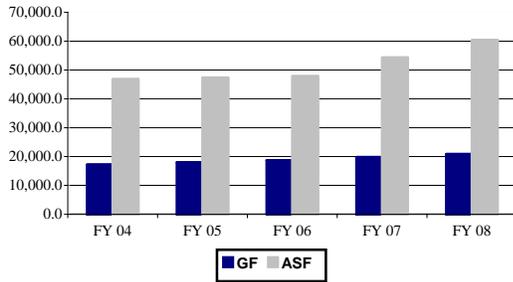
Office of the Secretary

Accounting

Revenue

State Lottery Office

Five-Year Appropriation History



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 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	45,627.5	20,828.7	21,130.2
ASF	59,846.5	60,420.0	61,029.5
TOTAL	105,474.0	81,248.7	82,159.7

POSITIONS

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	243.0	243.0	241.0
ASF	60.0	64.0	66.0
NSF	--	--	--
TOTAL	303.0	307.0	307.0

FY 2009 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend \$172.0 in Office of the Secretary for financial reporting service for local school districts.
- ◆ Recommend \$306.8 ASF in Revenue for increased costs related to Escheat.
- ◆ Recommend \$218.3 ASF in Revenue to enhance delinquent collections.

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OFFICE OF THE SECRETARY

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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 financial policies and processes consistent with Delaware's designation as a triple-A state.
- Provide budgetary revenue projections that are within two percent of actual collection, excluding revenue anomalies due to exogenous and/or non-recurring events, for June Delaware Economic and Financial Advisory Council (DEFAC) estimates.
- 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 the management of financial resources. The Office of the Secretary provides economic data, revenue and legislative analyses, and public information services.

The office 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 demonstrate 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 seventh consecutive year. Delaware has maintained these ratings since the spring of 2000 and is now one of only seven states currently holding these ratings.

- Provided analytic and legislative support in the development of key components of the State's financial plan; efforts were critical to the cigarette and tobacco products tax enhancements and in crafting an incentive-based permanent extension of video lottery promotional credits.
- Provided Department of Transportation staff with a revenue estimating framework and suggested methodologies designed to improve the accuracy of Transportation Trust Fund revenue projections.
- Extended technical assistance and advice to the Delaware Economic Development Office as it crafted its New Economy Jobs program tax credits designed to attract high-wage jobs to Delaware.
- Developed, and continue to maintain, the Delaware Volunteer Fire Service Revolving Loan Fund. This fund enables volunteer fire and emergency service companies from around the State to finance emergency vehicles and equipment at below market rates.
- Led efforts to address funding of the State's Other Post Employment Benefits (OPEB) liability. The office was instrumental in laying the groundwork for OPEB funding resulting in significant one-time funding, continued use of a percentage of payroll for long-term funding, and developing a strategy to fund 100 percent of the actuarially determined contribution over a six-year period.

FUNDING

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	29,019.2	4,172.6	4,390.0
ASF	4,782.6	1,982.5	1,982.5
TOTAL	33,801.8	6,155.1	6,372.5

POSITIONS

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	19.0	19.0	20.0
ASF	--	--	--
NSF	--	--	--
TOTAL	19.0	19.0	20.0

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OFFICE OF THE SECRETARY

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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 objective of using proceeds to meet the State's long-term infrastructure needs.
- Provide departmental management services for information/technology, personnel, financial oversight and legislative support.
- 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

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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

- Facilitate the implementation of First State Financials, incorporating financial best practices into the design of the new statewide financial system.
- Improve financial management and organizational productivity through establishing and championing the use of key technologies.
- 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 new financial system, with an implementation date of July 2009, continues to be the top focus. Major accomplishments during the past year include completion of business process analysis and fit sessions conducted with all State organizations. During Fiscal Year 2009, final stages of the system will be completed, including system design, configuration, testing and full integration with the Payroll Human Resource Statewide Technology (PHRST) system. End user training will also be conducted, and new policies and procedures documented and in place. At the same time, DFMS data will be scrubbed for conversion.

The Division continued its efforts to enhance the State's ability to safeguard its assets and financial integrity. Statewide internal control of financial data is a high priority on the national and state level. This year, the

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Division implemented plans to increase the frequency and number of visits to State organizations in Fiscal Year 2008 and 2009.

For the fiscal year ended June 30, 2006, 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. The Division again received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for Fiscal Year 2006. This marks the twelfth consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	3,834.7	3,327.8	3,382.1
ASF	588.4	457.1	484.4
TOTAL	4,423.1	3,784.9	3,866.5

POSITIONS

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	43.0	43.0	43.0
ASF	4.0	7.0	7.0
NSF	--	--	--
TOTAL	47.0	50.0	50.0

ACCOUNTING

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ACTIVITIES

- 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 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 key agency fiscal personnel;
- Work with the Department of Technology and Information (DTI) and the Office of Management and Budget (OMB) to execute the third year of the

- project plan for implementation of the new financial system and integration with PHRST;
- Implement the new SuperCard contract;
- Continue to partner with DTI and OMB to implement the new financial system in July 2009; and
- Develop and implement a transition plan for existing staff to new roles in support of the new Financials system.

PERFORMANCE MEASURES

	FY 2007 Actual	FY 2008 Budget	FY 2009 Gov. Rec.
CAFR audit report	Clean	Clean	Clean
GFOA certificate	Awarded	*Awarded	Awarded
# of internal control reviews completed	**	**	10

* Award will be announced at the end of Fiscal Year 2008.

**New performance measure.

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REVENUE

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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 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 460,000 personal and 600,000 business tax returns and issues more than 341,000 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, 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.

On February 5, 2007, the Division began posting the top 100 personal and business tax delinquents on their website. For Fiscal Year 2007 the total remittance amount for business tax was \$445,900 and for personal tax was \$247,300.

Electronic filing of income tax returns has continued to expand statewide. The Division received over 246,000 electronically filed personal tax returns in Fiscal Year 2007 (compared to 198,000 in Fiscal Year 2005). The Division projects that it will receive 260,000 personal tax returns electronically in Fiscal Year 2008, which will represent approximately 56 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, electronic software and bar coded paper filing that can be electronically read. 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 grown to 341,800 in Fiscal Year 2007, or 74 percent of all current year personal tax returns filed.

	FUNDING		
	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	12,773.3	13,328.3	13,358.1
ASF	2,742.9	3,343.4	3,868.5
TOTAL	15,516.2	16,671.7	17,226.6

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	POSITIONS		
	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	181.0	181.0	178.0
ASF	27.0	28.0	30.0
NSF	--	--	--
TOTAL	208.0	209.0	208.0

REVENUE

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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 2007 Actual	FY 2008 Budget	FY 2009 Gov. Rec.
\$ of refund setoffs (millions)	4.28	5.25	5.50
\$ of outsourced tax collections (millions)	14.7	15.1	15.5
# of days to process Personal Income Tax refunds	18	15	15
\$ of digital personal returns (thousands)	341.8	350.0	360.0
Revenue automated call distribution telephone waiting time (seconds)	10	12	12
\$ of unclaimed property enforcement collections (millions)	172.1	180.0	188.0
\$ of unclaimed property total collections (millions)	364.9	369.0	380.0

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

- Achieve General Fund contribution of \$270.5 million in Fiscal Year 2009.
- Improve customer satisfaction as measured by the Lottery's Annual Satisfaction Survey.

BACKGROUND AND ACCOMPLISHMENTS

Fiscal Year 2007 was another very profitable year for the Delaware Lottery, producing its third consecutive record year of General Fund contributions (\$256.7 million).

New video lottery legislation enhanced video profits by providing added competitive support, including authorizing increased promotional credits and innovative multi-player games. The result was the third year in a row of record video lottery General Fund contributions (\$218.8 million) and the eleventh consecutive year generating more net video proceeds per capita (\$745) than any other state in the country. In addition, the first full year of the Multi-State Lottery Association's interstate (Delaware, Rhode Island, West Virginia) progressive game, CASHOLA was successfully completed and Delaware capped off the year with the State's first jackpot winner in the game.

On the traditional lottery side, Fiscal Year 2007 saw considerable excitement in the Lottery's instant ticket product line with the introduction of two new licensed property games, television mega-hits "American Idol" and "Deal or No Deal." Both games were extremely popular and helped propel the instant ticket product line to its sixth consecutive year of record sales. Ticket game players also experienced another Delaware first over the

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2007 holiday season when the Lottery launched its limited-run Delaware Raffle game. Tickets were sold out in the weeks leading up to the New Year's Eve drawing, and a lucky Delawarean walked away with the top prize of a quarter-million dollars.

The Delaware Lottery also continued to build upon its successful strategic marketing partnerships with in-state organizations and their events, including the Delaware State Fair, Dover International Speedway, University of Delaware, and Punkin' Chunkin'. Each year the Punkin' Chunkin' organizers contribute all of the profits to various children's charities, making this event one of the most important on Lottery's annual sponsorship roster.

During Fiscal Year 2007, the Delaware Lottery earned its eighth consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA for Lottery's 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.

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 survey, 97 percent of the Delaware residents surveyed reported they were not opposed to the State offering lottery games and 57 percent said they had played the Lottery at least once in the past year. 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 43 U.S. Lotteries with combined per capita annual sales of \$883 for Fiscal Year 2007.
- Delaware ranked second out of the 43 U.S. Lotteries with combined per capita profit to the State of \$300 for Fiscal Year 2007.
- Delaware ranked seventh out of the 43 U.S. Lotteries with combined percentage of profit to sales of 34 percent in Fiscal Year 2007.
- Delaware ranked second out of the 30 U.S. Lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$49 for Fiscal Year 2007.
- Delaware ranked third out of the six U.S. Lotteries operating video lottery with video net proceeds of \$635.7 million for Fiscal Year 2007.

- Since the start of video lottery, the Delaware Lottery has contributed more than \$15.3 million to the Department of Health and Social Services to help fund problem gambling in Delaware.

FUNDING

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	51,732.8	54,637.0	54,694.1
ASF	--	--	--
TOTAL	51,732.8	54,637.0	54,694.1

POSITIONS

	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 GOV. REC.
GF	--	--	--
ASF	29.0	29.0	29.0
NSF	--	--	--
TOTAL	29.0	29.0	29.0

STATE LOTTERY OFFICE
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ACTIVITIES

- Continue to grow and expand the present lottery retailer network.
- Maintain regulatory oversight and control of 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 Delaware to stay competitive with neighboring states.
- Maximize the use of video lottery central system enhancements that allow for greater flexibility in the selection of games made available to customers.

PERFORMANCE MEASURES

	FY 2007 Actual	FY 2008 Budget	FY 2009 Gov. Rec.
\$ GF revenue collections (millions)	256.7	262.8	270.5
% of positive responses on annual satisfaction survey from:			
players	62	63	64
retailers	83	84	85