

# FINANCE

## 25-00-00

### Finance

Office of the Secretary

Accounting

Revenue

State Lottery Office

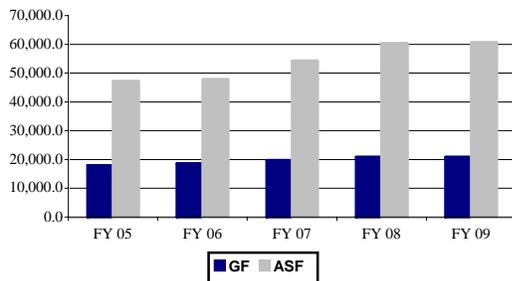
### MISSION

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.

**Five-Year Appropriation History**



### FUNDING

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 33,382.4          | 20,825.8          | 20,689.7             |
| ASF          | 59,491.3          | 60,729.5          | 60,547.0             |
| <b>TOTAL</b> | <b>92,873.7</b>   | <b>81,555.3</b>   | <b>81,236.7</b>      |

### POSITIONS

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 243.0             | 237.0             | 237.0                |
| ASF          | 64.0              | 66.0              | 66.0                 |
| NSF          | --                | --                | --                   |
| <b>TOTAL</b> | <b>307.0</b>      | <b>303.0</b>      | <b>303.0</b>         |

### FY 2010 BUDGET HIGHLIGHTS

#### OPERATING BUDGET:

- ◆ Recommend (\$123.2) in Strategic Reduction/Investment Target to identify additional expenditure reductions and/or revenue enhancements necessary due to deteriorating economic conditions.
- ◆ Recommend the following reductions in operating expenditures: (\$4.5) in Office of the Secretary, (\$21.7) in Accounting and (\$37.7) in Revenue.

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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 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. Delaware has maintained these ratings since the spring of 2000 and is now one of only seven states currently holding these ratings.

- Worked with the General Assembly to craft legislation that increased revenues in fiscal years 2009 and 2010. The final product minimized the amount of revenue coming from the pockets of the citizens of Delaware.
- Provided technical assistance and advice to the Delaware Economic Development Office that led to the introduction and passage of the State's asset management corporation legislation which persuaded Blackrock Corporation to hire 300 new people in the State and set the stage for similar businesses to do the same.
- Led efforts to address funding of the State's Other Post Employment Benefits (OPEB) liability. The office was instrumental in laying the groundwork that led to the decision to fund OPEB using a percentage of payroll as the first step in creating a permanent funding solution.

|              | <b>FUNDING</b>  |                |                  |
|--------------|-----------------|----------------|------------------|
|              | <b>FY 2008</b>  | <b>FY 2009</b> | <b>FY 2010</b>   |
|              | <b>ACTUAL</b>   | <b>BUDGET</b>  | <b>GOV. REC.</b> |
| GF           | 16,454.9        | 4,166.3        | 4,044.2          |
| ASF          | 2,342.6         | 1,682.5        | 1,500.0          |
| <b>TOTAL</b> | <b>18,797.5</b> | <b>5,848.8</b> | <b>5,544.2</b>   |

|              | <b>POSITIONS</b> |                |                  |
|--------------|------------------|----------------|------------------|
|              | <b>FY 2008</b>   | <b>FY 2009</b> | <b>FY 2010</b>   |
|              | <b>ACTUAL</b>    | <b>BUDGET</b>  | <b>GOV. REC.</b> |
| GF           | 19.0             | 20.0           | 20.0             |
| ASF          | --               | --             | --               |
| NSF          | --               | --             | --               |
| <b>TOTAL</b> | <b>19.0</b>      | <b>20.0</b>    | <b>20.0</b>      |

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

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- 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**

### **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**

- Facilitate implementation of First State Financials with incorporation of 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) to ensure that the State receives a clean audit and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

#### **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 Fiscal Year 2010, continues to be the top focus. Major accomplishments during the past year include substantial completion of "business process testing" and development of significant modifications for security and workflow approvals. During Fiscal Year 2010, final stages of the system will be completed, including user acceptance testing full integration with PHRST, end user training conducted and new policies and procedures documented and in place. At the same time, DFMS data will be scrubbed for final conversion.

The new SuperCard contract was awarded to JP Morgan Chase, and successfully transitioned over 5,000 credit card accounts in April 2008. We are currently working through transition issues and are positioning the State to take advantage of the system functionality.

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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 continual focus on a national and state level. The Division will increase the frequency and number of visits to State organizations in fiscal years 2009 and 2010 for internal control review and enforcement.

For the fiscal year ended June 30, 2007 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 2007. This marks the thirteenth consecutive year Delaware has been recognized by GFOA.

### FUNDING

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 4,554.5           | 3,324.6           | 3,312.0              |
| ASF          | 305.6             | 484.4             | 484.4                |
| <b>TOTAL</b> | <b>4,860.1</b>    | <b>3,809.0</b>    | <b>3,796.4</b>       |

### POSITIONS

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 43.0              | 43.0              | 43.0                 |
| ASF          | 7.0               | 7.0               | 7.0                  |
| NSF          | --                | --                | --                   |
| <b>TOTAL</b> | <b>50.0</b>       | <b>50.0</b>       | <b>50.0</b>          |

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## ACCOUNTING

### 25-05-01

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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 Office of Management and Budget (OMB) to execute the fourth year of the project plan for implementation of the new financial system and the integration of this system with the Payroll/Human Resources Statewide Technology (PHRST) system.
- Continue to partner with DTI and OMB to implement the new Financials system in Fiscal Year 2010.
- Develop and implement a transition plan for existing staff to new roles in support of the new financial system.

### PERFORMANCE MEASURES

|   | FY 2008<br>Actual | FY 2009<br>Budget | FY 2010<br>Gov. Rec. |
|---|-------------------|-------------------|----------------------|
| CAFR audit report                       | Clean             | Clean             | Clean                |
| GFOA certificate                        | Awarded           | *Awarded          | *Awarded             |
| # of internal control reviews completed | **                | 10                | 15                   |

*\*Award will be announced at the end of Fiscal Year 2009.*

*\*\*New performance measure.*

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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 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 450,000 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, 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 275,000 electronically filed personal tax returns in Fiscal Year 2008. The Division projects that it will receive 300,000 personal tax returns electronically in Fiscal Year 2009, which will represent approximately 60 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. Digital returns reduce mail and data-entry processing and, as a result, improves the refund issuance process and decreases 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 over 364,800 in Fiscal Year 2008, or over 75 percent of all current year personal tax returns filed in Fiscal Year 2008.

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 17.1 days in Fiscal Year 2008.

The collections of abandoned property have continued to increase over the last several fiscal years. In Fiscal Year 2001, the Division established an enforcement group to

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focus on enhancing enforcement efforts. These efforts have resulted in an increase in gross collections from \$42.3 million in Fiscal Year 2000 to almost \$376 million in Fiscal Year 2008.

### FUNDING

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 12,373.0          | 13,334.9          | 13,333.5             |
| ASF          | 3,516.3           | 3,868.5           | 3,868.5              |
| <b>TOTAL</b> | <b>15,889.3</b>   | <b>17,203.4</b>   | <b>17,202.0</b>      |

### POSITIONS

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>GOV. REC. |
|--------------|-------------------|-------------------|----------------------|
| GF           | 181.0             | 174.0             | 174.0                |
| ASF          | 28.0              | 30.0              | 30.0                 |
| NSF          | --                | --                | --                   |
| <b>TOTAL</b> | <b>209.0</b>      | <b>204.0</b>      | <b>204.0</b>         |

## **REVENUE**

### **25-06-01**

### ACTIVITIES

- Disseminate tax information to the public and respond to taxpayer inquiries.
- Process and account for tax returns and associated remittances.
- Issue refunds of overpaid taxes and collect tax delinquencies.
- Conduct audits, examinations and reviews, and prepare assessments when amounts are found to be due the State.
- Manage and supply records of filings for current and prior years.
- Provide support to core division activities.

### PERFORMANCE MEASURES

|  | FY 2008<br>Actual | FY 2009<br>Budget | FY 2010<br>Gov. Rec. |
|--|-------------------|-------------------|----------------------|
| # of days to process Personal Income Tax refunds             | 17.1              | 16.8              | 16.3                 |
| # of digital personal returns                                | 275               | 300               | 315                  |
| Automated call distribution telephone waiting time (seconds) | 16                | 15                | 15                   |
| \$ of abandoned property total collections (millions)        | 376               | 450               | 390                  |

## 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 \$275.5 million in Fiscal Year 2010.
- Improve customer satisfaction as measured by the Lottery's Annual Satisfaction Survey.

### BACKGROUND AND ACCOMPLISHMENTS

Fiscal Year 2008 was another very profitable year for the Delaware Lottery, producing General Fund contributions of \$252.5 million.

Video lottery profits in Fiscal Year 2008 were enhanced by legislation authorizing the racetracks' increased promotional credits in concert with performance benchmarks. All three racetrack venues continued to add to the number of video lottery games available at their locations, including more multi-player games and popular themed franchise games, with a combined total of more than 8,100 games in play by the end of the fiscal year. The result was video lottery net proceeds in excess of \$611 million (third consecutive year over \$600 million) and General Fund contributions of \$213 million (third consecutive year over \$200 million). Fiscal Year 2008 was the 12<sup>th</sup> consecutive year Delaware generated more net video proceeds per capita than any other state in the country.

On the traditional lottery side, Fiscal Year 2008 saw continued excitement in the Lottery's instant ticket product line with the introduction of more licensed property games, including Pink Panther and perennial board game favorites Clue and Life. Licensed property games have proved very popular and helped boost the instant ticket product line to its seventh consecutive year

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of record sales. During the holiday season, Lottery again offered its limited-run Delaware Raffle game and it repeated its inaugural success, selling-out for the second consecutive year. Fiscal Year 2008 was then capped-off by the Lottery introducing Hot Lotto Sizzler, a Multi-State Lottery Association jackpot game.

The Delaware Lottery also continued to build upon its successful strategic marketing partnerships with in-state organizations and their events. In addition to continuing relationships with the Delaware State Fair, University of Delaware and Punkin' Chunkin,' during Fiscal Year 2008 Lottery added sponsorships with Delaware State University, the Blue Rocks and the Central Delaware Jazz Festival.

During Fiscal Year 2008, the Delaware Lottery earned its ninth 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, 94 percent of the Delaware Lottery players surveyed reported they felt the games were run honestly and nearly half (47 percent) said they had won a cash prize in the past six months. More than four in 10 Delaware Lottery players feel the Delaware Lottery is an essential fund raising operation for the State and one-half (53 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 \$852 in Fiscal Year 2008.
- Delaware ranked second out of the 43 U.S. Lotteries with combined per capita profit to the state of \$292 in Fiscal Year 2008.
- Delaware ranked sixth out of the 43 U.S. Lotteries with combined percentage of profit to sales of 34 percent in Fiscal Year 2008.
- Delaware ranked third out of the 30 U.S. Lotteries belonging to the Multi-State Lottery Association with Powerball per capita annual sales of \$41 in Fiscal Year 2008.

- Delaware ranked sixth out of the 43 U.S. Lotteries with a percentage increase of six percent in traditional lottery sales in Fiscal Year 2008.
- Since the start of video lottery, the Delaware Lottery has contributed more than \$17 million to the Department of Health and Social services to help fund problem gambling in Delaware.

#### FUNDING

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>Gov. Rec. |
|--------------|-------------------|-------------------|----------------------|
| GF           | --                | --                | --                   |
| ASF          | 53,326.8          | 54,694.1          | 54,694.1             |
| <b>TOTAL</b> | <b>53,326.8</b>   | <b>54,694.1</b>   | <b>54,694.1</b>      |

#### POSITIONS

|              | FY 2008<br>ACTUAL | FY 2009<br>BUDGET | FY 2010<br>Gov. Rec. |
|--------------|-------------------|-------------------|----------------------|
| GF           | --                | --                | --                   |
| ASF          | 29.0              | 29.0              | 29.0                 |
| NSF          | --                | --                | --                   |
| <b>TOTAL</b> | <b>29.0</b>       | <b>29.0</b>       | <b>29.0</b>          |

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### STATE LOTTERY OFFICE

#### 25-07-01

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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 2008<br>Actual | FY 2009<br>Budget | FY 2010<br>Gov. Rec. |
|---|-------------------|-------------------|----------------------|
| \$ GF revenue collections (millions)                    | 252.5             | 262.7             | 275.5                |
| annual satisfaction survey – % positive responses from: |                   |                   |                      |
| players   | 62                | 63                | 64                   |
| retailers   | 88                | 89                | 90                   |