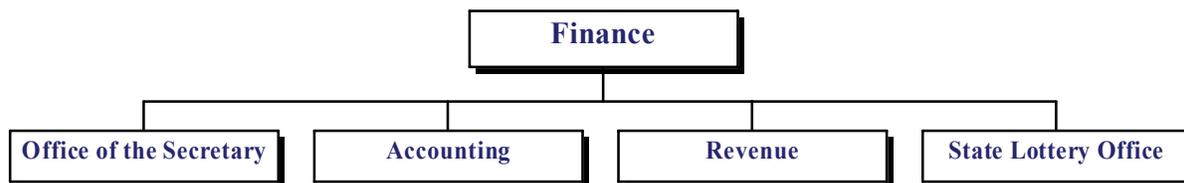


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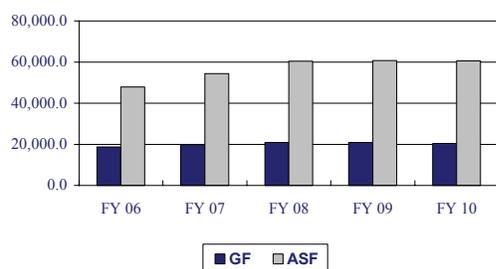
MISSION

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 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 expenditures and credit ratings.

Five-Year Appropriation History



FUNDING

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	26,596.0	20,456.9	15,234.9
ASF	52,639.6	60,487.7	64,748.8
TOTAL	79,235.6	80,944.6	79,983.7

POSITIONS

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	237.0	219.0	149.0
ASF	66.0	61.0	113.0
NSF	--	--	--
TOTAL	303.0	280.0	262.0

FY 2011 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend (\$299.9) ASF in Technology Improvement Fund to reflect savings realized from technology staff consolidation.
- ◆ Recommend (\$3,768.7) in Revenue to switch fund positions and operational costs to Delinquent Collection and Escheat.
- ◆ Recommend \$665.2 ASF in Escheat to reflect projected expenditures.

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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.
- Research and promote opportunities for the State by providing debt policy direction that minimizes the cost of implementing the State's capital plan.
- Provide budgetary revenue projections that are within 2 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, rating agencies 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 items demonstrate the office's success in accomplishing its mission:

- Helped the State reaffirm the State's triple-A bond ratings from the three Wall Street rating agencies, which Delaware has maintained 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 to increase revenues in Fiscal Years 2010 and 2011, while minimizing the impact on lower-income taxpayers;
- Provided technical assistance and advice to the Delaware Economic Development Office leading 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; and
- Led efforts to address funding of the State's Other Post Employment Benefit (OPEB) obligations and worked with state actuaries, auditors and others to support favorable reporting policies consistent with Generally Accepted Accounting Principles (GAAP) requirements. Despite severe budgetary challenges, funding was maintained at prior year levels by securing \$10 million excess abandoned property revenues.

FUNDING

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	10,274.7	4,508.3	3,590.9
ASF	1,659.4	1,500.0	5,369.0
TOTAL	11,934.1	6,008.3	8,959.9

POSITIONS

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	20.0	18.0	17.0
ASF	--	--	38.0
NSF	--	--	--
TOTAL	20.0	18.0	55.0

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.

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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.
- Administer Delaware's Volunteer Fire Service Revolving Loan Fund, including the collection and evaluation of loan applications, loan disbursement, payment reconciliation and completion of an annual financial report to the Governor.

ACCOUNTING

25-05-00

MISSION

To provide statewide expert leadership and central support for accounting and payroll and 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 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 continued to enhance the availability of information to its customers. The division is committed to reaching these goals through the application of technology as the division continuously works to eliminate obsolete, paper-based processes in favor of more efficient alternatives.

The new financial system, with implementation in Fiscal Year 2011, continues to be the top focus. Major accomplishments during the past year include completion of "user acceptance testing" of all new system features, functions and enhancements developed by the project to meet the specific financial requirements of the State.

An ePay functionality pilot was implemented in Fiscal Year 2010 with a group of state organizations. Other organizations voluntarily stopped printing pay advices for their employees since the implementation. The remaining organizations stopped printing advices after the August 28, 2009 paycheck. ePay eliminates the printing of approximately 40,000 pay advices each pay period, saving the State approximately \$566,000.

At the start of Fiscal Year 2011, the project team will roll-out and stabilize the new financial system, while

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continuing end-user training and ensuring the service desk responds to and meets the needs of user organizations.

The division completed the transition of the new SuperCard contract to JP Morgan Chase. During the first year, state agencies spent \$63.7 million on the SuperCard for goods and services to support operations. The division implemented several procedures to safeguard and monitor SuperCard use. Staff assigned to the SuperCard program review daily transactional data to ensure state agencies are in compliance with the policies and procedures regarding proper credit card use as outlined in the State's Budget and Accounting Manual. Additionally, the staff performs quarterly analyses on spend balances and monthly spend limits. Organizational SuperCard coordinators are contacted to adjust these limits, as appropriate, to reduce the State's exposure to fraud. During Fiscal Year 2010, the division will be implementing Government Performance Review initiatives related to the use of the SuperCard to streamline and consolidate payments state organizations make to vendors.

The division continues efforts to enhance the State's ability to safeguard assets and preserve financial integrity. Statewide internal control of financial data is a priority focus on a national and state level. The division's internal control staff visited 17 state organizations during Fiscal Year 2009 and performed internal control reviews, to support the preparation of the State's financial statements, in the areas of GAAP reporting, capital assets, construction work in progress and compensated absences. During Fiscal Year 2010, the staff will continue to expand their reviews and number of site visits.

For the fiscal year ended June 30, 2008, 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 private industry. The division received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2008 to GFOA, marking the 14th consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	4,783.5	3,182.4	2,990.9
ASF	239.2	473.7	473.7
TOTAL	5,022.7	3,656.1	3,464.6

POSITIONS

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	43.0	41.0	40.0
ASF	7.0	5.0	5.0
NSF	--	--	--
TOTAL	50.0	46.0	45.0

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.
- Continue partnering with the Department of Technology and Information (DTI) and OMB to implement the new financial system in Fiscal Year 2011.
- Develop and implement a plan to transition existing staff to new roles in support of the new financial system.

PERFORMANCE MEASURES

	FY 2009 Actual	FY 2010 Budget	FY 2011 Gov. Rec.
CAFR audit report	Clean	Clean	Clean
GFOA certificate	Awarded	Awarded	N/A
# of internal control reviews completed	17	25	37

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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 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 500,000 personal and 600,000 business tax returns and issues more than 330,000 tax refunds. In addition, 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, 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 develops and analyzes 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 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 290,000 electronically filed personal tax returns in Fiscal Year 2009. The division projects it will receive 300,000 personal tax returns electronically in Fiscal Year 2010. These returns do not require manual intervention in the form of sorting, data-entry or return validation.

The division aggressively promoted filing personal tax returns in a digital format via the Internet, electronic software and bar-coded paper filing. Digital returns reduce mail and data-entry processing and improve the refund issuance process and reduce 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 370,000 in Fiscal Year 2009, or over 78 percent of all current year personal tax returns filed in Fiscal Year 2009.

As part of the Business Systems Master Plan, 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 18.3 days in Fiscal Year 2009.

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 focus on enhancing enforcement efforts. These efforts resulted in a 100 percent increase in average audit collections from Fiscal Year 2002 to the present. In

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addition, annual compliance filings have increased by an average of 150 percent during this period. Gross collections have grown from \$166 million in Fiscal Year 2002 to over \$476 million in Fiscal Year 2009.

FUNDING

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	11,537.8	12,766.2	8,653.1
ASF	3,705.1	3,867.6	4,259.7
TOTAL	15,242.9	16,633.8	12,912.8

POSITIONS

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	174.0	160.0	92.0
ASF	30.0	29.0	44.0
NSF	--	--	--
TOTAL	204.0	189.0	136.0

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 2009 Actual	FY 2010 Budget	FY 2011 Gov. Rec.
# of days to process Personal Income Tax refunds	18.3	18.3	18.3
# of digital personal returns	292,800	320,000	340,000
Automated call distribution telephone waiting time (seconds)	27	30	25
\$ of abandoned property total collections (millions)	476.4	374.0	389.0

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 \$224.1 million in Fiscal Year 2011.
- Continue to improve customer satisfaction as measured by annual satisfaction surveys.

BACKGROUND AND ACCOMPLISHMENTS

Fiscal Year 2009 was another very profitable year for the Delaware Lottery, producing General Fund contributions of \$248.0 million.

All three racetrack venues added to the variety of video lottery games available at their locations, including the first electronic roulette machines installed in any video lottery jurisdiction in the country. One lucky patron won the single largest video jackpot to date in Delaware, \$1.3 million on an intrastate progressive game. With more than 8,200 games in play, video lottery net proceeds for the fiscal year were in excess of \$579 million. In fact, Fiscal Year 2009 was the thirteenth consecutive year Delaware generated more net video proceeds per capita than any other state in the country. State revenues were enhanced by end of year legislation increasing the state share, helping to produce General Fund contributions of \$210.6 million. In September, all three Video Lottery Agents successfully opened Race and Sports Books featuring the Delaware Sports Lottery's parlay wagering on professional football games. Early results are encouraging as the tracks report this new customer demographic is increasing their floor traffic.

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On the traditional lottery side, Fiscal Year 2009 saw the Delaware Lottery's instant ticket product line continue its long standing run of year-over-year sales increases. A variety of licensed property and theme games ranging in price points and prize levels generated over \$36.5 million in sales, the eighth consecutive year of record sales. Fiscal Year 2009 also produced the Lottery's seventh Powerball winner. Two long-time friends, who maintained their anonymity as allowed by Delaware law, purchased one of two winning tickets sold for the February 28, 2009 drawing and shared a jackpot with an annuity value of \$174.4 million.

The Delaware Lottery redefined its approach to strategic marketing partnerships with in-state organizations and their sponsorship programs, focusing on a greater number of smaller, local community events to take its messages and games to the public. In addition to continuing relationships with the Delaware State Fair, University of Delaware, Delaware State University, Blue Rocks and Punkin' Chunkin', the Lottery added sponsorships with the Wilmington Riverfront Blues Festival, June Jam and Nanticoke River Festival.

During Fiscal Year 2009, the Delaware Lottery earned its tenth consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by GFOA of the United States and Canada for the Lottery's Comprehensive Annual Financial Report. 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, 55 percent of residents had played a Delaware Lottery game in the previous 12 months. Nearly half of all players, 46 percent, feel the Delaware Lottery is an essential fundraising operation for the State, and 31 percent believe the funds raised by the Delaware Lottery help keep state income taxes down.

Accomplishments:

- Delaware ranked first out of the 43 U.S. Lotteries with combined per capita annual sales of \$798 million in Fiscal Year 2009.
- Delaware ranked second out of the 43 U.S. Lotteries with combined per capita profit to the State of \$282 million in Fiscal Year 2009.
- Delaware ranked sixth out of the 43 U.S. Lotteries with combined percentage of profit to sales of 35 percent in Fiscal Year 2009.

- Delaware ranked fourth out of the 32 U.S. Lotteries belonging to the Multi-State Lottery Association with Powerball per capita annual sales of \$36 million in Fiscal Year 2009.
- Since the start of video lottery, the Delaware Lottery has contributed \$18.7 million to the Department of Health and Social Services to help fund initiatives that address problem gambling in Delaware.

FUNDING

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	--	--	--
ASF	47,035.9	54,646.4	54,646.4
TOTAL	47,035.9	54,646.4	54,646.4

POSITIONS

	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 GOV. REC.
GF	--	--	--
ASF	29.0	27.0	26.0
NSF	--	--	--
TOTAL	29.0	27.0	26.0

STATE LOTTERY OFFICE

25-07-01

ACTIVITIES

- Continue to grow and expand the traditional lottery retailer network.
- Maintain regulatory oversight and control of the video and sports lottery gaming systems.
- Provide the public with games that are fun, easy and exciting to play.
- Explore new lottery gaming opportunities allowing Delaware to stay competitive with neighboring states.
- Maximize the use of video lottery central system enhancements allowing for greater flexibility in the selection of games made available to customers.

PERFORMANCE MEASURES

	FY 2009 Actual	FY 2010 Budget	FY 2011 Gov. Rec.
\$ GF revenue collections (millions)	248.0	286.7	224.1
Annual satisfaction survey – % of positive responses from:			
players	69	70	71
retailers	92	93	94