

# OTHER ELECTIVE 12-00-00

## Other Elective

### Lieutenant Governor

### Auditor of Accounts

### Insurance Commissioner

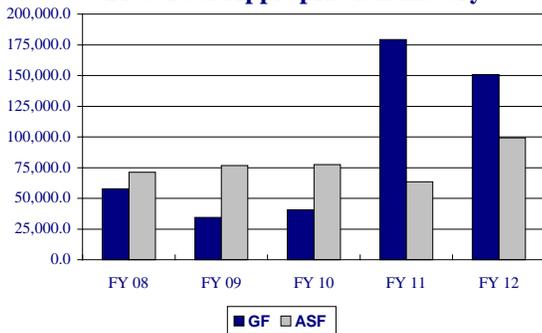
### State Treasurer

- Regulatory Activities  
- Bureau of Examination, Rehabilitation  
and Guaranty

- Administration  
- Debt Management  
- Refunds and Grants\*

\* Not a Unit for Budgeting Purposes

### Five-Year Appropriation History



### FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	190,261.1	150,808.7	150,851.0
ASF	55,170.5	99,298.7	100,481.4
<b>TOTAL</b>	<b>245,431.6</b>	<b>250,107.4</b>	<b>251,332.4</b>

### POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	36.5	38.5	38.5
ASF	94.5	93.5	93.5
NSF	2.0	3.0	4.0
<b>TOTAL</b>	<b>133.0</b>	<b>135.0</b>	<b>136.0</b>

### State Treasurer

- ◆ Recommend \$9.0 and \$5.0 ASF in Contractual Services to reflect increased lease costs.
- ◆ Recommend \$1,008.2 ASF in Debt Service - Local Schools to reflect projected expenditures.

## FY 2013 BUDGET HIGHLIGHTS

### OPERATING BUDGET:

#### Lieutenant Governor

- ◆ Recommend (\$0.4) in Contractual Services to reflect a reduction in operating expenditures.

#### Auditor of Accounts

- ◆ Recommend (\$10.9) in Personnel Costs and (\$0.6) in Contractual Services to reflect reductions in operating expenditures.

#### Insurance Commissioner

- ◆ Recommend base funding to maintain Fiscal Year 2012 level of service.

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### 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. The Lieutenant Governor's Office is focused on children's issues, including education, parental involvement and mentoring, healthy children and healthy communities.

#### KEY OBJECTIVES

- Improve Delaware schools by working with districts to direct more funding into the classroom, encourage parental involvement, reward school performance for student achievement and help students with disabilities have a fair and equitable education.
- Develop a mentoring partnership program that matches schools with at-risk youth to Delaware businesses that have provided adult mentors, helping to build better academic success and strong social skills for Delaware's children.
- Improve the health of children by increasing access to health care and reducing exposure to environmental hazards.
- Improve the services the State offers to children with disabilities.
- Improve the services the State offers to children who are abused, neglected or in foster care.
- Build better relationships between nonprofit, faith-based and community organizations that share the same interest in making families, individuals and communities stronger. Serve as a state resource and point of information for these organizations and help them find federal and foundation funding opportunities.
- Make the operations of the Delaware Criminal Justice Council (CJC) more transparent and allow more organizations access to CJC funds.
- Serve residents by having an open door policy for constituents to voice their concerns about issues related to state government and helping them find the answers to their questions and solutions to their problems.

#### 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.

The office has developed a legislative Kids Agenda each legislative session, which focuses on improving the lives of Delaware's children. These legislative packages have passed in the General Assembly and have been signed into law by Governor Markell. Included in the Kids Agenda are laws that:

- Expanded the number of children who are screened for lead paint exposure at their age of maximum vulnerability;
- Banished the serviceable Chevrolet educational standard for children with disabilities from Delaware's schools and required those students receive educational services to help fulfill their potential;
- Set up the first state-run program where schools are evaluated on progress in educating at-risk kids, and winning schools receive \$150,000 in federal Title I funds;
- Established a system to inform taxpayers about which school districts were directing public dollars into the classroom rather than administrative overhead; and
- Required insurance carriers to cover developmental screening for infants and toddlers, which improves early detection of developmental problems in small children and allows more effective treatment.

The Lieutenant Governor's office created a Parental Involvement Award that is given out annually to two schools that demonstrate innovation and success at increasing parental involvement in their schools.

The Lieutenant Governor's office also hosted an annual Art Contest for students K-12.

#### FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	490.8	584.0	591.5
ASF	--	--	--
<b>TOTAL</b>	<b>490.8</b>	<b>584.0</b>	<b>591.5</b>

#### POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	6.0	6.0	6.0
ASF	--	--	--
NSF	--	--	--
<b>TOTAL</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

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### ACTIVITIES

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

- President, Delaware State Senate;
- President, Board of Pardons;
- Chair, CJC;
- Chair, Early Teacher Hiring Task Force;
- Chair, Interagency Council on Adult Literacy;
- Co-Chair, Delaware Early Childhood Policy Matters Commission;
- Honorary Chair, Delaware Safe Kids;
- Honorary Chair, State Employees Charitable Campaign;
- Member, National Lieutenant Governor's Association;
- Chair, Delaware Justice Reinvestment Task Force;
- Chair, House Joint Resolution 7; and
- Chair, Community Partnership Board, Delaware Youth Opportunity Initiative.

### AUDITOR OF ACCOUNTS 12-02-01

#### MISSION

The mission of the Office of Auditor of Accounts (AOA) is to benefit all Delaware residents 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 receiving 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 Office/Contract Administration section ensures the office operates in accordance with state laws and regulations. This section also ensures contracted audits are completed within the required time frame 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 distribution of the Statewide Single Audit Report, which 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

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direct and material effect on each major program; and

- To ensure prior audit recommendations, questioned costs and disallowances reported in the Single Audit Report for the fiscal year ending June 30 have been resolved.

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

The Special Investigations section conducts investigations that may involve activities of waste, fraud or abuse of state and/or federal resources and ensures the Auditor's Hotline program is a viable service to Delaware residents.

### BACKGROUND AND ACCOMPLISHMENTS

AOA issued 69 audits and investigations in Fiscal Year 2011. These engagements identified millions of dollars in findings, numerous control weaknesses, criminal convictions and agency-wide failure to comply with state procurement requirements. The State Comprehensive Annual Financial Report alone identified \$306 million in financial reporting errors.

#### FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	1,940.5	2,711.9	2,721.7
ASF	776.5	1,216.0	1,228.6
<b>TOTAL</b>	<b>2,717.0</b>	<b>3,927.9</b>	<b>3,950.3</b>

#### POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	18.0	20.0	20.0
ASF	7.0	7.0	7.0
NSF	--	--	--
<b>TOTAL</b>	<b>25.0</b>	<b>27.0</b>	<b>27.0</b>

### ACTIVITIES

During Fiscal Year 2011, AOA's professional staff was highly credentialed, holding 20 certifications for 16 professional positions. Over the past year, AOA staff has presented at various conferences, including the Salisbury University Shore Fraud Conference and Association of Government Accountants' National Professional Development Conference, and assisted with updating the State Auditor's Peer Review Program. AOA and staff are also members of the following professional organizations:

- National Association of State Auditors, Comptrollers, and Treasurers;
- National State Auditors Association (NSAA);
- NSAA Auditor Training Committee;
- NSAA Human Resource Committee;
- NSAA Performance Audit Committee;
- NSAA Peer Review Committee;
- State Board of Pardons;
- State Insurance Determination Committee;
- Association of Government Accountants;
- Dover Chapter of Association of Government Accountants;
- Association of Certified Fraud Examiners;
- Information Systems Audit Control Association;
- National Audit Forum;
- Mid-Atlantic Intergovernmental Audit Forum;
- State Representative and Program Committee Chair, Mid-Atlantic Intergovernmental Audit Forum;
- American Institute of Certified Public Accountants;
- Delaware Society of Certified Public Accountants;
- Institute for Internal Control;
- Delaware League of Local Governments;
- Government Finance Officers Association; and
- Association of Local Government Auditors.

### PERFORMANCE MEASURES

	FY 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
% of AOA audit reports issued within 45 business days of report date	78	100	100
% of non-criminal investigation reports issued to the organization within 45 days after completion of investigation	33	100	100
% of CPE compliance for active licenses/certifications	100	100	100
# of licenses/certifications held by audit staff	20	14	15

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### INSURANCE COMMISSIONER 12-03-00

#### MISSION

In accordance with Title 18 of the Delaware Code, the Insurance Commissioner of the State of Delaware will:

- Investigate consumer complaints and inquiries and advocate for Delawareans;
- Ensure Delaware companies are in good financial health;
- Communicate timely and relevant insurance related information to Delawareans;
- Prosecute insurance fraud;
- License agents and brokers;
- Fund volunteer fire departments and other first responders;
- Police the conduct of carriers, agents and brokers doing business in Delaware;
- Save money for small businesses while increasing safety at work sites; and
- Foster economic development in Delaware as more companies domicile here.

#### KEY OBJECTIVES

- Responding to consumer inquiries;
- Requiring insurance companies to respond to inquiries made on behalf of Delaware consumers; and
- Introducing legislation designed to protect the health and welfare of Delawareans, ensure the solvency of Delaware companies and maintain Delaware's advantage as a preferred domicile for insurance companies.

#### BACKGROUND AND ACCOMPLISHMENTS

With a continued focus on consumers, the Commissioner and the department achieved the following during Fiscal Year 2011:

- Saved Delaware businesses \$7.4 million in workers' compensation premium expenses;
- Licensed 47 new captive insurance companies and 60 series business units during the year;
- Worked with the General Assembly to secure passage of the new Delaware Non-admitted Insurance Act, which amends Delaware's prior surplus lines law in its entirety to accommodate the mandates of the federal Non-admitted and Reinsurance Reform Act of 2010;

- Provided additional investment flexibility to well capitalized domestic insurers and required property and casualty insurers to annually submit a statement of actuarial opinion and other identified documentation;
- Made Delaware compliant with the Patient Protection and Affordable Care Act (PPACA) which prevents insurance carriers from excluding a child under the age of 19 from a health insurance policy or denying benefits for pre-existing conditions; and
- Secured the passage of Senate Bill 98, which brings Delaware in line with the requirements of PPACA and provides the department with regulatory and enforcement authority over carriers with respect to immunizations and preventive health services.

#### FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	--	--	--
ASF	17,607.3	23,879.0	24,015.1
<b>TOTAL</b>	<b>17,607.3</b>	<b>23,879.0</b>	<b>24,015.1</b>

#### POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	--	--	--
ASF	77.0	76.0	76.0
NSF	2.0	3.0	4.0
<b>TOTAL</b>	<b>79.0</b>	<b>79.0</b>	<b>80.0</b>

#### ACTIVITIES

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

#### REGULATORY ACTIVITIES

##### 12-03-01

#### ACTIVITIES

##### Fraud Prevention Bureau

In Fiscal Year 2011, the Fraud Prevention Bureau investigated 468 cases compared to 470 cases in the previous fiscal year. Approximately 61 percent of the cases were resolved by consent or arrest, deemed to be unfounded or had dispositions that were suspended. Approximately \$49,824 in civil penalties were assessed in substantiated fraud cases during Fiscal Year 2011.

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The Fraud Prevention Bureau experienced a significant increase in the number of consumer complaints involving discount medical plans. In an effort to mitigate this issue, at the request of the Insurance Commissioner's Office, the General Assembly passed legislation allowing the Insurance Commissioner's Office to regulate entities marketing and selling discount health care plans. This review and licensing process has been implemented and has reduced the number of consumer complaints regarding the medical discount plan industry.

The Fraud Prevention Bureau has joined the United States Department of Justice, Delaware Department of Justice, National Insurance Crime Bureau (NICB) and NAIC in a combined effort to reduce insurance fraud, particularly within the healthcare industry.

Several current members of the Fraud Prevention Bureau hold certifications in professional associations, such as the Association of Certified Fraud Specialists and Association of Accredited Health Care Fraud Investigators.

Fraud investigators also maintain the following activities:

- Member, Delaware Valley Chapter of International Association of Special Investigative Units;
- Member, NAIC Anti-Fraud Task Force;
- Member, NICB;
- Member, International Association of Special Investigation Units;
- Member, National Health Care Anti-Fraud Association;
- Member, U.S. Attorney General Healthcare Fraud Taskforce; and
- Special training on health care fraud detection and investigation and claims.

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### ***BUREAU OF EXAMINATION, REHABILITATION AND GUARANTY***

***12-03-02***

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#### **ACTIVITIES**

##### **Examinations/Financial Analysis**

This section provides financial solvency oversight for the approximately 131 Delaware domesticated companies through quarterly financial analysis and the performance of financial examinations as required by statute or as deemed necessary for the protection of Delaware policyholders. The department received re-accreditation from the NAIC in 2009 for five years and participates on numerous financial committees at the NAIC level.

The staff is also responsible for the ongoing licensing, registration and regulation of the approximately 750 property/casualty insurers and 428 life/health insurers licensed in Delaware, as well as 58 accredited reinsurers, 19 fraternal, 5 health maintenance organizations, health service corporations and dental plan organizations, nine Medicare prescription drug plans, 25 premium finance companies, 34 reinsurance intermediaries, 116 non-admitted surplus lines insurers, 24 title insurers, 80 foreign risk-retention groups and 195 third-party administrators licensed or eligible to do business in Delaware. Delaware is now the number one Risk Purchasing Group domicile.

##### **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 ensure they are in compliance with the Delaware Insurance Code and Regulations with respect to rating, underwriting and claim handling practices. Exams are scheduled based on complaint activity, special requests or on a regular schedule.

This section exceeded goals set by the NAIC in respect to market analysis by completing 60 Market Analysis Level 1 reviews, 30 Level 2 reviews and seven interrogatories were completed during the fiscal year.

The Company Market Conduct unit is responsible for the oversight of Company Market Regulation activities. The pre-authorization review continued throughout the year.

##### **Agency Market Conduct**

This section receives referrals from the public, as well as from the Consumer Services and Fraud Prevention Bureau sections regarding alleged misconduct of insurance agents and agencies. It conducts examinations of agents and agencies to ensure 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.

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Agency Market Conduct staff investigated 143 cases. Approximately 101 cases were resolved by consent or arrest. Approximately \$602,000 were collected in civil penalties and restitution.

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

- Member, NAIC;
- Member, Securities Insurance Licensing Association;
- Member, System for Electronic Rate and Form Filing (SERFF);
- Member, SBS;
- Member, Insurance Regulatory Examiners Society, including Board of Directors; and
- Member, National Association of Insurance Women.

#### **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 provided presentations to consumer advocate groups, the 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.

This section continues to enhance the electronic processes for licensing with the implementation of the Discount Medical Plan Organization (DMPO) license application through SBS. This enhancement allows DMPOs to apply and attach all documentation needed for the license application review process.

Delaware was one of the first states to implement the Adjuster Designated Home State through the National Insurance Producer Registry (NIPR). Delaware now accepts license applications for Adjusters declaring a designated home state through NIPR. This has eliminated the need to submit a paper application for those individuals who do not hold a resident license because their home state does not license adjusters.

#### **Rates and Forms**

The section enhances the tracking and monitoring of rate and form filings with SERFF, which enables companies to send and receive, comment on and approve or reject insurance industry rate and form filings electronically. SERFF was updated to comply with PPACA for reporting. Nearly 100 percent of all filings are now received electronically.

The Rates and Forms section maintains the following activities:

- Participates in committees and work groups of the NAIC;
- Represents the Commissioner on the Governor's Health Reform Steering Committee;
- Member, Interagency Coordinating Council;
- One staff member holds the designation of Fellow, Life Management Institute from the Life Office Management Association and Market Conduct Management designation; and
- Member, Association of Insurance Compliance Professionals - two staff members have completed courses for professional designation as Associate Compliance Professional.

#### **Consumer Services**

The Consumer Services unit is the public face of the department. Its professional staff is comprised of 10 investigators, half of whom are responsible for life and health and half of whom are responsible for property and casualty. They investigate complaints lodged by Delaware policyholders against carriers, brokers and agents who are subject to regulation under Title 18. In Fiscal Year 2011, the Consumer Services section handled 5,057 complaints and inquiries.

The Consumer Services unit performs many additional functions. Even in cases where the department lacks jurisdiction, the investigators will locate the appropriate contact in another state or agency and put the consumer in direct contact with them. Since the passage of the federal Pre-Existing Condition Insurance Plan legislation, the unit has been increasingly called upon to assist Delawareans without health insurance to enroll in this program. Additionally, Consumer Services investigators participate in outreach in all three counties, providing information and real-time guidance to those who are either unaware of the department's services or are unable to contact the department during business hours.

This year, in the aftermath of Hurricane Irene, the Consumer Services unit adopted an alternate schedule to respond to after-hours calls from Delawareans needing immediate assistance. The modified hours and a toll-free

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hotline were advertised throughout the state. In the wake of the storm, the unit received calls from consumers with coverage issues and continues to advocate on behalf of these policyholders.

### 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 \$103 million for Delaware employers. In Fiscal Year 2011, 1,503 employers participated.

### PERFORMANCE MEASURES

	FY 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
# of new licenses:			
producers	12,543	11,500	13,000
adjusters	6,660	6,050	7,100
appraisers	76	35	65
public adjusters	48	40	35
fraternal producers	31	20	20
apprentice adjusters	32	100	25
apprentice appraisers	5	10	5
surplus lines brokers	167	190	150
limited lines producers	358	375	300
business entities	704	700	750
# of agents appointed	59,866	56,000	59,000
# of consumer complaints/inquiries	5,057	5,860	5,332
# of arbitration cases heard	103	131	131
# of arbitration cases closed without hearing	148	131	131
# of external appeals	35	44	40
# of participants in Workplace Safety program	1,503	1,563	1,620

### ELDERinfo

ELDERinfo is the State Health Insurance Program for Delaware's Medicare population of approximately 151,077. The program is a public service of the Insurance Commissioner's Office and is funded through a grant from the Centers for Medicare and Medicaid Services. The department has also supplemented the program's budget to expand its services.

The program is designed to assist, educate and empower people with Medicare and their caregivers with complex and often confusing matters of 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.

From July 2010 through June 2011, the unit assisted 5,652 beneficiaries with one-on-one counseling and reached more than 12,487 individuals through interactive public presentations, health fairs and direct mailings. The unit mailed 131 Medicaid applications, resulting in potential savings of more than \$15,117 for 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 and senior forums.

### Bureau of Captive and Financial Insurance Products

The Bureau of Captive and Financial Insurance Products was formed in 2009 to provide increased flexibility to businesses needing customized insurance, foster the growth of Delaware as a domicile for captive insurance entities and create additional revenue-generating insurance products and services. Since the enactment of the current enabling legislation in 2005, the number of captive insurance companies domiciled in Delaware has increased from 59 to 106. Delaware is the 18<sup>th</sup> largest domicile in the world for captive insurance entities.

### PERFORMANCE MEASURES

	FY 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
# of rates received	3,419	3,500	3,000
# of forms received	38,472	35,000	31,000
# of advertisements received	442	450	500
# of rules received	2,767	3,000	2,600
# of companies regulated:			
domestic	131	133	135
foreign	1,878	1,900	1,950
# of companies examined	25	37	30
# of domestic companies liquidated	6	12	12
# of companies under supervision/rehabilitation	1	1	1
# of captive insurance companies	106	116	160

## OTHER ELECTIVE 12-00-00

### STATE TREASURER 12-05-00

#### MISSION

The mission of the Office of the State Treasurer (OST), the cornerstone of the State's financial system, is to restore economic prosperity to the First State by providing critical financial services for the people of Delaware.

#### FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	187,829.8	147,512.8	147,537.8
ASF	36,786.7	74,203.7	75,237.7
<b>TOTAL</b>	<b>224,616.5</b>	<b>221,716.5</b>	<b>222,775.5</b>

#### POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	12.5	12.5	12.5
ASF	10.5	10.5	10.5
NSF	--	--	--
<b>TOTAL</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>

### ADMINISTRATION 12-05-01

OST is divided into four offices: Executive Office of the State Treasurer, Office of Finance and Treasury Services, Office of Disbursements and Reconciliations and Office of Economic Policy. The respective offices have independent objectives and work in unison to accomplish the mission of OST.

#### KEY OBJECTIVES

- Provide accurate daily reconciliation of the State's bank accounts, set the State's daily cash position and maintain up-to-the-minute data on the State's investment portfolio.
- Manage the State's \$2.1 billion investment portfolio pursuant to the investment guidelines set forth in the Delaware Code and the Cash Management Policy in accordance with best practices.
- Develop strategic programs and innovative initiatives designed to meet OST's mission and statutory mandates.
- Ensure optimal investment opportunities and benefits for eligible employees in the Deferred Compensation 457(b) and 403(b) plans and increase

participation through effective marketing and educational resources.

- Work with state agencies and vendors to provide treasury services, including Automated Clearinghouse (ACH) and credit card processing services designed to further reduce the number of checks issued, maximize savings and optimize service.
- Continually provide timely and pertinent economic information and resources to policymakers and Delaware residents to assist them in their financial decisions.
- Ensure the State and its political subdivisions maintain compliance with Social Security regulations.
- Provide estimates of dividend and interest income for the Delaware Economic and Financial Advisory Council (DEFAC) and the General Assembly.
- Manage the Delaware Local Government Investment Pool (DELGIP) on behalf of participating local governments.
- Serve as an idea center for investment and financial management within the contours of state government.

#### BACKGROUND AND ACCOMPLISHMENTS

Under a revitalized mission aimed at meeting the economic challenges of the 21<sup>st</sup> century, OST has undertaken new reforms and initiatives designed to use the State's financial resources to meet its statutory mandates while assisting in the collective effort to restore economic prosperity to Delaware. During the past fiscal year, OST implemented the following reforms and initiatives and achieved the following accomplishments: (i) adopted a new mission; (ii) implemented a new transparent organizational structure; (iii) created an Office of Economic Policy without cost to taxpayers; (iv) issued the First Report on the Delaware State Treasury; (v) implemented the Delaware Economic Index and Delaware Early Warning System; (vi) launched a new OST website *treasury.delaware.gov*; (vii) developed the Prosperity Portal: Your Pathway to Financial Education, an online tool aimed at assisting Delawareans to realize their financial goals; (viii) created the "Earn. Save. Invest. PROSPER" financial savings campaign; (ix) modernized OST to meet the demands of the 21<sup>st</sup> Century global economy; (x) managed the State's \$2.1 billion investment portfolio during unprecedented financial and political challenges; (xi) established cooperative relationships with the White House, the Federal Reserve Bank and other key federal agencies,

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(xii) proposed innovative programs including, the Small Business Investment Program; (xiii) issued the Delaware Money in Delaware Banks Directive; (xiv) proposed safe and innovative changes to the State's Cash Management Policy; (xv) created the Support Delaware Initiative which is a program designed to direct OST expenditures towards Delaware vendors; (xvi) signed a landmark agreement with American Express® that provides individuals and corporations an additional payment option to satisfy outstanding state invoices; and (xvii) expanded the remote check deposit pilot program.

In sum, OST has built upon the foundation laid by its predecessors while redefining its critical role within the constitutional framework of state government.

### ABOUT THE OFFICES

#### Executive Office of the State Treasurer

The Executive Office of the State Treasurer is responsible for proposing strategic initiatives, serving as the legislative liaison and providing the necessary budgetary and financial resources for OST to meet its statutory mandates in accordance with the mandate set forth by the people of the State. With a focused mission, the office works to establish sound policies and procedures that will ensure the overall health of the State's financial system. The Executive Office's key duties include strategic initiatives, budget, legislative communications, social security administration and information technology.

#### Office of Finance and Treasury Services

The Office of Finance and Treasury Services manages a variety of very important statewide functions for the agencies and institutions of the State. These include deferred compensation programs, investment management, banking and cash management services, debt management and refunds and grants.

##### *Deferred Compensation Programs*

Participation in the State of Delaware Deferred Compensation 457(b) Plan has grown from 3,400 in July 1999 to 14,018 in July 2011. State employees contribute more than \$1.2 million per pay cycle and have over \$408 million saved toward their retirement. Although currently suspended, the State Match Program resulted in more than \$17.5 million in state employee match accounts prior to its suspension.

Participation in the 403(b) plan for employees working for a school district, charter school, Delaware Technical and Community College, Delaware State University and the Department of Education has grown from 4,328 in 2009 to 4,516 in July 2011. Assets in the 403(b) plan currently total over \$183 million.

##### *Investment Management*

The Investment Management section monitors external investment managers who invest the State's money on behalf of OST pursuant to the investment guidelines set forth in the Delaware Code and the Cash Management Policy and in accordance with best practices. This section is responsible for periodic reporting related to investments. All interest earnings on investments accrue to the General Fund unless state law or legislation requires otherwise. This section also provides estimates of dividend and interest income for DEFAC and the General Assembly.

##### *Banking and Cash Management Services*

This section of the office manages the State's major banking relationships and the State's credit card acceptance program. The unit is responsible for the daily investment of the State's cash pool of over \$2.1 billion, setting the daily cash position and moving money as directed. It is also responsible for assisting state agencies with banking and vendor payment needs, interest calculations for all school and special funds and monitoring DELGIP.

#### Office of Disbursements and Reconciliations

The Office of Disbursements and Reconciliations is responsible for reconciling the State's general collection and disbursement accounts, which includes performing internal audits; payment services including ACH payments, wire transfers and check services; and payment disbursement in accordance with the State's budget. Specifically, this office processes payroll, pension, vendor, foster care and personal income tax refunds and disburses municipal street aid, support to fire organizations and police pensions.

OST maintains a continual improvement policy for fraud prevention, including the use of the positive pay system, which verifies certain information on all state issued checks prior to payment by a financial institution. The office also works with other state agencies on internal processes and increasing professional education to keep current on strategies relating to fraud prevention.

#### Office of Economic Policy

The Office of Economic Policy is responsible for producing the Delaware Economic Index, the Economic Early Warning System, community outreach and financial literacy initiatives for OST.

The Delaware Economic Index is issued every 60 days by the office and provides independent financial and economic research about the state of the economy.

Incorporating a unique partnership among OST, federal agencies and nonprofits, this office has launched the Prosperity Portal, a resource for Delaware families,

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individuals and businesses. The portal serves as a resource for Delawareans of all ages by providing financial information, articles, services and other economic data.

### ACTIVITIES

- Daily settlement of the cash position to ensure state funds are recorded in appropriate accounts while maximizing dollars available for investment.
- Administration and promotion of the State Deferred Compensation programs.
- 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.
- Ensure the State and its political subdivisions maintain compliance with Social Security regulations.
- Process payroll, pension, vendor, foster care and personal income tax refunds.
- 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.
- Provide a central resource for Delaware residents to obtain financial information.
- Approve, monitor and reconcile the acceptance of credit cards by any state agency.

### PERFORMANCE MEASURES

	FY 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
# of Deferred Compensation accounts	14,018	14,500	14,500
# of days to reconcile major accounts	5	5	5
\$ ACH vendor payments (billions)	3.5	3.6	3.6

### ***DEBT MANAGEMENT*** ***12-05-03***

### MISSION

The mission of the debt management section of OST is 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 provide overall guidance and accounting in an effort to maximize taxpayer value in the area of debt issuance and its management.

### KEY OBJECTIVES

- Provide guidance to state and school district officials regarding debt issuance and capital financing, which maximizes taxpayer value and protects the interests of investors.
- Maintain an accounting and data retrieval system in OST for bond authorizations, bond sales, amortizations, debt budgeting and debt payments with less reliance on manual calculations and operations for state bonds as well as for school district bonds.
- Work with the First State Financials (FSF) team to improve electronic reporting of special and school funds and interest payments on these funds.
- Coordinate and process 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 2011, all debt service payments to the Depository Trust Company were met on the bond due dates, which entailed:

- Disbursement of \$206.5 million for 21 General Obligation issues on \$1,612.6 million outstanding on June 30, 2011; and
- Collection of \$59.6 million from schools for the repayment of their local share of school construction on \$535.9 million of outstanding local share bonds on June 30, 2011.

### ACTIVITIES

- Maintain records required for bond projects as authorized by the annual Capital Improvements Act from authorization through bond sale and amortizations of the bond sales over a number of years.
- Provide Office of Management and Budget, other state agencies and school districts with the principal and interest payments due by fund and fiscal year.
- Provide Bond Counsel with data relating to bond projects, including project identification, description, volume and chapter required to obtain a legal opinion for the bond issue.
- Establish and monitor special fund interest table in FSF to calculate and pay interest on special funds on

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deposit with OST. Interest in Fiscal Year 2011 totaled more than \$2.3 million.

- Advise and 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.
- Establish, maintain and monitor the school fund interest table in FSF to calculate interest to schools for their operation, debt service and construction funds on deposit with OST. Interest paid to school districts on their funds on deposit with OST totaled \$3.3 million for Fiscal Year 2011.
- Assist the public with any inquiries concerning state bonds.

### PERFORMANCE MEASURE

	<b>FY 2011 Actual</b>	<b>FY 2012 Budget</b>	<b>FY 2013 Gov. Rec.</b>
% of accounting automation for debt issuances	100	100	100

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### ***REFUNDS AND GRANTS*** ***12-05-04***

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#### MISSION

The mission of the Refunds and Grants section of OST is to process refunds for improperly collected fees or receipts, maintain an accurate accounting of fiscal year refunds and accurately and timely process Grants-in-Aid in accordance with statutory requirements.

#### KEY OBJECTIVE

- Timely distribution of refunds and grants.

#### BACKGROUND AND ACCOMPLISHMENTS

Per 29 Del. C. § 2713, the State Treasurer executes a payment voucher as a direct claim in the event any agency improperly collects fees or receipts that become revenue to the General Fund.

In accordance with the annual Grants-In-Aid legislation, OST makes quarterly disbursements to nonprofit organizations.