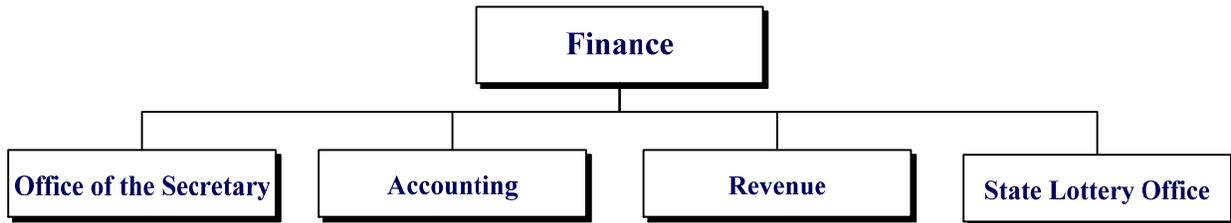


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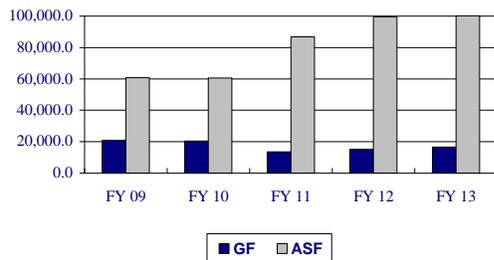
MISSION

To promote Delaware’s fiscal health fairly and efficiently by forecasting, generating, collecting and accounting for funds critical to essential government services.

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 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	13,961.4	16,536.9	16,417.4
ASF	82,582.5	100,260.4	100,408.9
TOTAL	96,543.9	116,797.3	116,826.3

POSITIONS

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	161.5	149.5	147.5
ASF	147.5	152.5	154.5
NSF	--	--	--
TOTAL	309.0	302.0	302.0

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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 information relevant to maintaining the State’s financial position.
- Ensure financial policies and processes are consistent with Delaware’s designation as a Triple-A rated state.
- Identify and promote opportunities for the State by providing debt policy direction that minimizes the cost of capital.
- 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 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 one of only nine states currently holding these ratings;

- Designed and secured the adoption of the Delaware Gaming Competitiveness Act of 2012, which distinguishes Delaware from surrounding states through the addition of Keno, Internet gaming and new sports betting venues;
- Provided technical assistance and advice to the Governor and General Assembly, leading to the introduction and passage of the Veterans’ Opportunity Tax Credit, which incentivizes employers to hire service men and women returning home from overseas conflicts;
- Crafted key economic development initiatives, including a gross receipts tax exemption for petroleum feedstock suppliers, and an expansion of the New Economy Jobs Tax Credit program;
- Facilitated the transfer of the unliquidated obligations of the Drinking Water Revolving Loan Fund to the Clean Water Revolving Loan Fund and continued oversight on the merger of the financial administration of both funds; and
- Maintained compliance with the State’s continuing disclosure agreement pursuant to the Securities and Exchange Act Rule 15c2-12, including the annual filing of financial and operating information, audited financial statements and periodically monitors reportable and/or material events.

FUNDING

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	1,669.3	2,116.9	2,116.9
ASF	31,085.3	37,452.0	37,502.6
TOTAL	32,754.6	39,568.9	39,619.5

POSITIONS

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	17.0	17.0	17.0
ASF	38.0	38.0	38.0
NSF	--	--	--
TOTAL	55.0	55.0	55.0

OFFICE OF THE SECRETARY
25-01-01

ACTIVITIES

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.

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- 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.
- 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

- Provide training and supportive resources to state organizations to facilitate the effective and compliant use of the statewide accounting system.
- Successfully prepare 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.
- Successfully manage the issuance of the State's A-133 Single Audit Report with applicable grant laws and regulations.
- Manage First State Financials (FSF) processes for 1099s.
- Manage key transparency initiatives such as the online and procurement card checkbooks.
- Interpret new and revised tax laws as they relate to payroll processing to ensure State compliance.

BACKGROUND AND ACCOMPLISHMENTS

The division is committed to further solidifying the State's internal control structure and expanding its financial reporting capabilities through the application of technology. The division is also committed to providing the State with expert leadership surrounding the accounting and payroll functions.

The implementation of FSF has significantly strengthened the statewide internal control structure and the latest upgrade will increase user efficiency and system functionality. The State's financial and budget related control activities have been bolstered since system implementation, allowing for better monitoring and control over transaction processing across state organizations. The State's financial reporting capabilities have also been greatly expanded with the implementation of FSF.

The division works closely with the Division of Revenue to ensure newly implemented and revised tax laws are

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appropriately considered and properly adopted and accounted for within the payroll system. The division monitors statewide compliance with payroll laws and regulations and provides guidance on payroll related internal controls, policies and practices.

Internal control and accounting policy revisions are continuously made in an effort to enhance the State's ability to safeguard assets and preserve financial integrity. The division's internal control staff visited over 20 state organizations during Fiscal Year 2012, performed internal control reviews for accounting/financial operations and provided organizations with recommendations for improvement or confirmation of effective control environment.

For the fiscal year ended June 30, 2011, the division issued the State's CAFR in full compliance with Governmental Accounting Standards Board (GASB) reporting requirements. The division received the GFOA Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2011 marking the 17th consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	5,051.1	6,424.8	6,424.8
ASF	486.7	658.3	658.3
TOTAL	5,537.8	7,083.1	7,083.1

POSITIONS

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	56.5	49.5	49.5
ASF	7.5	7.5	7.5
NSF	--	--	--
TOTAL	64.0	57.0	57.0

ACCOUNTING **25-05-01**

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.

PERFORMANCE MEASURES

	FY 2012 Actual	FY 2013 Budget	FY 2014 Gov. Rec.
CAFR audit report	Unqualified	Unqualified	Unqualified
# of internal control reviews completed	30	30	30
# of statewide payroll examinations	2	2	2

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REVENUE

25-06-00

MISSION

As 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 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 continues to focus 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 366,000 electronically filed personal tax returns in Fiscal Year 2012. The division projects it will receive 380,000 personal tax returns electronically in Fiscal Year 2013. 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, 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 404,000 in Fiscal Year 2012, just under 86 percent of all current year personal tax returns filed in Fiscal Year 2012.

As part of the Business Systems Master Plan, the division implemented an integrated imaging system into personal income tax return processing that allows 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 17.7 days in Fiscal Year 2012.

FUNDING

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	7,241.0	7,995.2	7,875.7
ASF	4,537.7	5,351.0	5,389.8
TOTAL	11,778.7	13,346.2	13,265.5

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POSITIONS

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	88.0	83.0	81.0
ASF	43.0	48.0	45.0
NSF	--	--	--
TOTAL	131.0	131.0	126.0

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 to the State.
- Manage and supply records of filings for current and prior years.
- Provide support to core division activities.

PERFORMANCE MEASURES

	FY 2012 Actual	FY 2013 Budget	FY 2014 Gov. Rec.
# of days to process Personal Income Tax refunds	17.7	17.0	17.0
% of digital personal returns	86	88	90
Automated call distribution telephone waiting time (seconds)	32	30	28

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 \$238.1 million in Fiscal Year 2014.
- Continue to improve customer and retailer satisfaction.

BACKGROUND AND ACCOMPLISHMENTS

With almost 7,000 games in play at the tracks, video lottery net proceeds for the fiscal year were more than \$475 million. In a continuing effort to refine the three race track venues' product mix, the Delaware Lottery, in conjunction with the West Virginia Lottery and the Rhode Island Lottery, introduced MegaHits, a new multi-state progressive video lottery game. To date, on a per machine basis, MegaHits has consistently outperformed all other video games at each race track. Building on its success of the first two years, Delaware's professional football parlay betting concluded its third winning season last January. Sports Lottery sales grew from \$10.8 million in Fiscal Year 2010 to \$12.9 million in Fiscal Year 2011. Fiscal Year 2012 was the second full year of table games (blackjack, roulette, craps, poker, etc.) at the tracks. The three casinos offered a combination of 115 gaming tables and 73 poker tables.

At the end of Fiscal Year 2012, to enhance Delaware's ability to maintain and grow its gaming revenue, the legislature passed the Delaware Gaming Competitiveness Act of 2012. This act allows the expansion of the sports lottery into retail locations, the implementation of Keno into retail locations, and places Delaware at the very forefront of Internet gaming in the U.S. by authorizing both traditional and casino style online wagering.

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During Fiscal Year 2012, Delaware Lottery's traditional product line continued to perform well in a difficult retail environment. Led by world record lottery jackpot sales of \$640 million in the Mega Millions multi-state jurisdiction game, traditional sales posted an 8.5 percent increase over Fiscal Year 2011.

Delaware Lottery's marketing program expanded its ongoing programs of sponsorship and participation with community-level activities throughout all areas of the State. Cooperative sports programs were conducted for the winter sports season with both the University of Delaware and Delaware State University. In addition, the Delaware Lottery continued its long term relationships with the Delaware State Fair, Punkin' Chunkin', Wyoming Peach Festival and Saint Anthony's Italian Festival. During Fiscal Year 2012, the Delaware Lottery added new sponsorship partners, including the Wilmington Farmer's Market at Rodney Square, Olde Dover Days and Apple-Scrapple Festival.

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.

The following items demonstrate the division's accomplishments during Fiscal Year 2012:

- Delaware ranked third out of the 44 U.S. Lotteries with combined per capita annual sales of \$680 in Fiscal Year 2012;
- Delaware ranked third out of the 44 U.S. Lotteries with combined per capita profit to the State of \$297 in Fiscal Year 2012;
- Delaware ranked third out of the 44 U.S. Lotteries with combined percentage of profit to sales of 38 percent in Fiscal Year 2012; and
- Delaware ranked fourth out of the 42 U.S. Lotteries offering both Powerball and Mega Millions with combined per capita annual sales of \$41 for those games in Fiscal Year 2012.

FUNDING

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	--	--	--
ASF	46,472.8	56,799.1	56,858.2
TOTAL	46,472.8	56,799.1	56,858.2

POSITIONS

	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2014 GOV. REC.
GF	--	--	--
ASF	59.0	59.0	64.0
NSF	--	--	--
TOTAL	59.0	59.0	64.0

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 constant onsite regulatory oversight of table game operations at the three video lottery facilities.
- 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 2012 Actual	FY 2013 Budget	FY 2014 Gov. Rec.
\$ GF revenue collections (millions)	269.0	237.8	238.1
Annual satisfaction survey - % of positive responses from:			
players	67	68	69
retailers	92	93	94