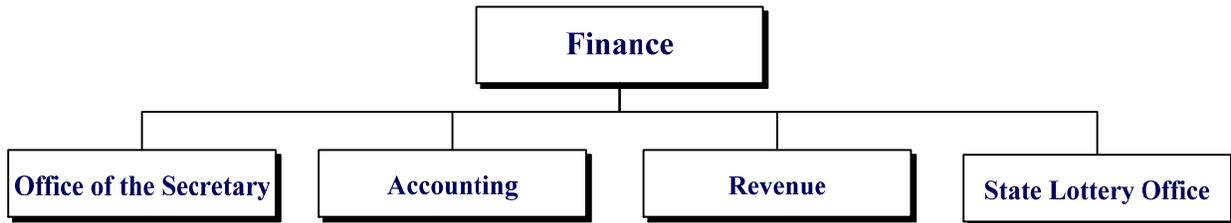


FINANCE
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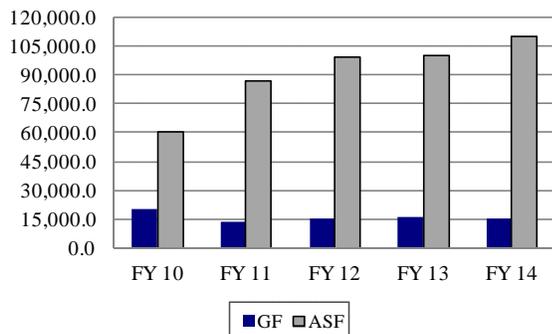
MISSION

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 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	15,422.7	15,117.4	15,227.1
ASF	108,363.5	110,456.0	110,816.0
TOTAL	123,786.2	125,573.4	126,043.1

POSITIONS

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	149.5	146.5	147.5
ASF	152.5	154.5	153.5
NSF	--	--	--
TOTAL	302.0	301.0	301.0

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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;

- Secured a cap on abandoned property revenues to avoid budget creep and focus excess receipts from a volatile revenue source to infrastructure projects and debt reduction;
- Facilitated the transfer of the financial administration of the Drinking Water Revolving Loan Fund to the Department of Natural Resources and Environment Control;
- Modeled and helped secure the adoption of House Bill 168 designed to pay off federal advances to the Unemployment Insurance Trust Fund and return the fund to solvency; and
- Crafted critical economic development initiatives including a 30 percent reduction in the manufacturer’s gross receipts tax and making the State’s research and development credit permanent.

FUNDING

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	3,325.9	2,164.0	2,078.7
ASF	61,844.2	47,549.7	47,549.7
TOTAL	65,170.1	49,713.7	49,628.4

POSITIONS

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	17.0	17.0	16.0
ASF	38.0	38.0	37.0
NSF	--	--	--
TOTAL	55.0	55.0	53.0

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.
- Provide departmental management services for information technology, personnel, financial oversight and legislative support.

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- 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 expert financial and technical accounting services for the State of Delaware, delivering central support to state organizations as well as consistent and reliable financial information to 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 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 has increased user efficiency and system functionality. The State's financial and budget-related control activities are continually evaluated to ensure the adequacy and effectiveness of policies and procedures designed to monitor and control transaction processing across state organizations. The State's financial reporting capabilities have been greatly expanded over the past three years and will be further advanced through additional offerings in the coming years.

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The division works closely with the Division of Revenue, Statewide Human Resources Management, Statewide Benefits, Payroll Human Resources Statewide Technology, the Office of the State Treasurer, the Pension Office and the Department of Labor to ensure newly implemented and revised tax laws are 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 30 state organizations during Fiscal Year 2013, 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, 2012, the division issued the State's CAFR in full compliance with Governmental Accounting Standards Board reporting requirements. The division received the GFOA Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2012 marking the 18th consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	5,545.2	5,774.8	5,912.7
ASF	447.5	658.3	658.3
TOTAL	5,992.7	6,433.1	6,571.0

POSITIONS

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	49.5	49.5	50.5
ASF	7.5	7.5	7.5
NSF	--	--	--
TOTAL	57.0	57.0	58.0

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 2013 Actual	FY 2014 Budget	FY 2015 Gov. Rec.
CAFR audit report	*	Unqualified	Unqualified
# of internal control reviews completed	31	30	30
# of statewide payroll examinations	1	1	1

**Audit for Fiscal Year 2013 has not been completed.*

FINANCE

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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 2013. The division projects it will receive 380,000 personal tax returns electronically in Fiscal Year 2014. 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 400,000 in Fiscal Year 2013, just over 87 percent of all current year personal tax returns filed in Fiscal Year 2013.

As part of the Business Systems Master Plan, the division implemented an integrated imaging system into the 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 24.1 days in Fiscal Year 2013.

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FUNDING

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	6,551.6	7,178.6	7,235.7
ASF	4,753.0	5,389.8	5,749.8
TOTAL	11,304.6	12,568.4	12,985.5

POSITIONS

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	83.0	80.0	81.0
ASF	48.0	46.0	46.0
NSF	--	--	--
TOTAL	131.0	126.0	127.0

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 2013 Actual	FY 2014 Budget	FY 2015 Gov. Rec.
# of days to process Personal Income Tax refunds	24.1	21.0	18.0
% of digital personal returns	87.1	89.0	91.0
Automated call distribution telephone waiting time (seconds)	35	30	25

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 \$224.8 million in Fiscal Year 2015.
- Continue to improve customer and retailer satisfaction.

BACKGROUND AND ACCOMPLISHMENTS

With almost 7,000 games in play, video lottery net proceeds for the fiscal year totaled almost \$400 million. The multi-jurisdictional, wide-area progressive Video Lottery Game Group, consisting of Delaware (Chair), West Virginia and Rhode Island, and administered under the auspices of the Multi-State Lottery Association, continued to offer the MegaHits games, which have consistently out-performed all other video games at each of Delaware's three race tracks. In Fiscal Year 2014 Ohio will become the fourth state to join the Game Group. Fiscal Year 2013 was the third full year of table games (blackjack, roulette, craps, poker, etc.) at the tracks. The three casinos offered a combination of 117 gaming tables and 73 poker tables. Lottery and the Department of Technology and Information continue to work together to enhance Lottery's initiative of an electronic/online casino employee licensing process.

During Fiscal Year 2013, Delaware Lottery's traditional product line continued to perform well. Led by sales from the multi-state jurisdiction jackpot games Powerball and MegaMillions, as well as instant scratch-off games, traditional sales posted a 7 percent increase over Fiscal Year 2012.

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During Fiscal Year 2013, Lottery was tasked with commencing the implementation of House Bill 333, The Delaware Gaming Competitiveness Act of 2012. The four main components of the act were the expansion of the Sports Lottery into retail locations, the launch of Keno in retail locations, and the authorization of both traditional and casino style online wagering. Lottery addressed the Sports Lottery expansion first in order to be operational for the beginning of the 2012/2013 pro football season. Lottery promulgated rules and regulations, licensed new sports retailers, trained the retailers and installed telecommunications solutions, all in time for pre-season wagering in mid-August at the 31 Sports Lottery retail locations that were established throughout the State. The result was a jump in handle from \$17.9 million in Fiscal Year 2012 to \$25.4 million in Fiscal Year 2013, an increase of 42 percent, with no cannibalization of the tracks.

With a retail sports lottery network up and running, Lottery began the Keno launch. Following the same process established in the expansion of the sports lottery, a network of retailers were established combining new and experienced retailers. Retailers were selected based on location and trade style, and then were licensed and trained. A new telecommunication network was set up and installed and on January 22, 2013, Keno was launched in Delaware at more than 80 retail locations.

Also in January 2013, Lottery issued an RFP for Internet gaming service providers for casino style online gaming to be conducted through the three video lottery agent's websites, with the Lottery providing the back office platform. A primary vendor was selected and work began on Delaware's and the nation's first Internet gaming solution.

House Bill 1, passed in January 2013, charged Lottery with the administrative and regulatory oversight of Charitable Gaming Organizations and their video lottery machine vendors. Lottery established a licensing application and approval process, created an accounting structure and then, with the assistance of the Division of Gaming Enforcement, conducted inspections and inventories of all applicant venues. The issuance of licenses to operate began for both vendors and organizations in late February 2013.

Delaware Lottery's marketing program continued its relationship with both the University of Delaware and Delaware State University, participating in a variety of cooperative sports programs conducted during the winter sports season. In addition, Lottery maintained its long-standing sponsorships with the Delaware State Fair and Punkin' Chunkin', as well as participating in more recent associations with such diverse events as the Wyoming

Peach Festival and Saint Anthony's Italian Festival. During Fiscal Year 2013, Lottery expanded its community-based activities to include the Nanticoke Riverfest, Middletown's Peach Festival, the Southern Delaware Street Rod Meet and the Delaware Wine and Beer Festival.

The following items demonstrate the division's accomplishments during Fiscal Year 2013:

- Delaware ranked third out of the 44 U.S. Lotteries with combined per capita annual sales of \$589 in Fiscal Year 2013;
- Delaware ranked third out of the 44 U.S. Lotteries with combined per capita profit to the State of \$257 in Fiscal Year 2013; and
- Delaware ranked fourth out of the 44 U.S. Lotteries offering both Powerball and MegaMillions with combined per capita annual sales of \$46 for those games in Fiscal Year 2013.

FUNDING

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	--	--	--
ASF	41,318.8	56,858.2	56,858.2
TOTAL	41,318.8	56,858.2	56,858.2

POSITIONS

	FY 2013 ACTUAL	FY 2014 BUDGET	FY 2015 GOV. REC.
GF	--	--	--
ASF	59.0	63.0	63.0
NSF	--	--	--
TOTAL	59.0	63.0	63.0

STATE LOTTERY OFFICE
25-07-01

ACTIVITIES

- Continue to grow, expand and optimize the traditional lottery retailer network.
- Maintain regulatory oversight and control of the video and sports lottery gaming systems.
- Provide administrative and regulatory oversight of licensed Charitable Gaming Organizations.
- 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.

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- Maximize the use of video lottery central system enhancements allowing for greater flexibility in the selection of games made available to customers.

PERFORMANCE MEASURE

	FY 2013 Actual	FY 2014 Budget	FY 2015 Gov. Rec.
\$ GF revenue collections (millions)	235.3	227.1	224.8