

# FINANCE

## 25-00-00

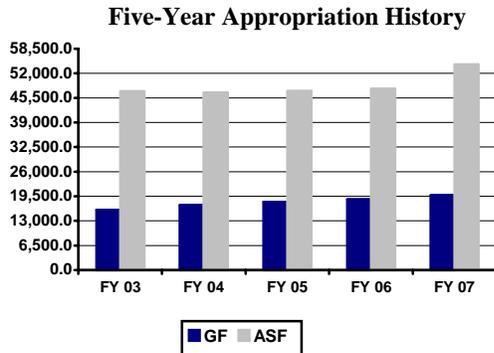
### Finance

Office of the Secretary

Accounting

Revenue

State Lottery Office



### MISSION

To provide leadership in securing, allocating, managing and accounting for financial resources critical to the delivery of governmental services and promotion of Delaware's economic health.

### KEY OBJECTIVES

- Promote the financial health of the State by providing technical analysis, policy information and advice on state finances to the Governor, legislature, state agencies, other government entities, pertinent constituency groups and the general public.
- Reduce administrative costs by reengineering and streamlining state government to use resources more efficiently and effectively.
- Provide leadership and planning on global financial management issues, including revenues, debt and expenditures.

### FUNDING

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	66,065.3	19,772.2	20,828.9
ASF	55,805.7	54,381.0	54,773.0
<b>TOTAL</b>	<b>121,871.0</b>	<b>74,153.2</b>	<b>75,601.9</b>

### POSITIONS

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	250.0	243.0	243.0
ASF	47.0	60.0	63.0
NSF	--	--	--
<b>TOTAL</b>	<b>297.0</b>	<b>303.0</b>	<b>306.0</b>

### FY 2008 BUDGET HIGHLIGHTS

#### OPERATING BUDGET:

- ◆ Recommend \$163.2 ASF and 3.0 ASF FTEs in Accounting to enhance regulation and compliance capabilities for the Super Card program.
- ◆ Recommend \$157.0 in Contractual Services for Accounting lease costs associated with new office space.
- ◆ Recommend \$80.6 in Accounting for the Other Post Employment Benefits (OPEB) component in the Comprehensive Annual Financial Report (CAFR).

# FINANCE

## 25-00-00

### OFFICE OF THE SECRETARY

#### 25-01-00

#### MISSION

To lead the State in developing and executing sound fiscal policies and practices.

#### KEY OBJECTIVES

- Make available all economic and financial information relevant to maintaining the State's financial position.
- Ensure financial policies and processes consistent with Delaware's designation as a triple-A state.
- Provide budgetary revenue projections that are within two percent of actual collection, excluding revenue anomalies due to exogenous and/or non-recurring events, for June Delaware Economic and Financial Advisory Council (DEFAC) estimates.
- Facilitate the exchange of necessary information between divisions within the Department of Finance, and among other state agencies, local governments and the public.
- Maximize effectiveness and efficiency by improving the State's fiscal operations through the use of appropriate financial and accounting controls.

#### BACKGROUND AND ACCOMPLISHMENTS

The Secretary of Finance is the State's chief financial officer and is the central source for economic and fiscal policy and the management of financial resources. The Office of the Secretary provides economic data, revenue and legislative analyses, and public information services.

The office provides management and oversight of General Obligation debt and overall coordination and management of all debt of the State and state authorities. In addition, the office builds the foundation for the State's budget process by providing the analysis and forecasting of revenues in support of DEFAC.

The following demonstrate the office's success in accomplishing its mission:

- Helped the State to receive a reaffirmation of its triple-A bond ratings from the three Wall Street rating agencies for the sixth consecutive year. Delaware has maintained these ratings since the

spring of 2000 and is now one of only six states currently holding these ratings.

- Closed a realty transfer tax loophole for mergers which would have cost the State in lost revenue.
- Assisted the General Assembly to enact the Video Lottery Competitiveness Act of 2006, which helps Delaware buffer the impact of competition from Pennsylvania.
- Provided technical assistance and advice to the Delaware Economic Development Office as it crafted a response to Bank of America's purchase of MBNA, which culminated in the modernization of the bank franchise tax and is widely regarded as playing a significant part in preserving Delaware jobs and tax revenues.
- Instrumental in efforts to address funding of the State's Other Post Employment Benefits (OPEB) liability. The office was instrumental in laying the groundwork that led to the decision to fund OPEB using a percentage of payroll as the first step in creating a permanent funding solution.

#### FUNDING

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	50,623.4	4,157.5	4,172.6
ASF	5,709.4	1,897.5	1,982.5
<b>TOTAL</b>	<b>56,332.8</b>	<b>6,055.0</b>	<b>6,155.1</b>

#### POSITIONS

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	18.0	19.0	19.0
ASF	--	--	--
NSF	--	--	--
<b>TOTAL</b>	<b>18.0</b>	<b>19.0</b>	<b>19.0</b>

### OFFICE OF THE SECRETARY

#### 25-01-01

#### ACTIVITIES

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.
- Provide analysis, forecasting and tracking of revenues for consideration by DEFAC.
- Manage and monitor the State's bond sales and advise policymakers regarding the State's overall

## FINANCE

25-00-00

debt, debt reduction and capital acquisition strategies.

- Furnish guidance and direction in the management of Twenty-First Century Funds consistent with the objective of using proceeds to meet the State's long-term infrastructure needs.
- Provide departmental management services for information/technology, personnel, financial oversight and legislative support.
- Chair the Retirement Benefit Study Committee.
- Represent the administration on numerous boards and commissions, including the Board of Pensions, Cash Management Policy Board, Diamond State Port Corporation, Delaware Civic Center and Riverfront Development Corporation.

## ACCOUNTING

25-05-00

### MISSION

To provide statewide expert leadership and central support for accounting and payroll and to provide timely and accurate financial information to management and the public.

### KEY OBJECTIVES

- Facilitate the 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) and ensure that the State receives a clean audit and a Government Finance Officers Association (GFOA) Certificate of Excellence.

### BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the Division's ongoing initiatives have increased the efficiency of the State's financial processes and continue to enhance the availability of information to its customers. The Division is committed to reaching these goals through the application of technology; the Division continuously works to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The Division successfully completed the reengineering phase of the new Financials system and produced the system's high-level design. Reengineering products were used to develop and execute a request for proposal which resulted in the selection of an implementation partner.

The Division continued its promotion of the Super Card as the preferred method of payment which yielded dividends for the State in Fiscal Year 2006. Expenditures utilizing the Super Card increased 36 percent over the prior year; further decreasing our reliance on paper checks and processing. Additionally, the Division enhanced its internal control procedures to ensure the timely reconciliation of transactions by state organizations.

# FINANCE

## 25-00-00

The presence of effective internal controls in government finance is receiving more scrutiny than ever. To ensure that the State's financial integrity is not compromised, the Division hired two internal control technicians who will begin to investigate statewide internal controls by reviewing state organization policies and procedures, workflow, and the use of administrative systems.

For the fiscal year ended June 30, 2005, the Division issued the State's CAFR in full compliance with Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align governmental financial statements with the ones found in private industry. The Division again received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for Fiscal Year 2005. This marks the eleventh consecutive year Delaware has been recognized by GFOA.

### FUNDING

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	3,120.7	2,938.9	3,327.8
ASF	104.4	289.0	457.1
<b>TOTAL</b>	<b>3,225.1</b>	<b>3,227.9</b>	<b>3,784.9</b>

### POSITIONS

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	39.0	43.0	43.0
ASF	--	4.0	7.0
NSF	--	--	
<b>TOTAL</b>	<b>39.0</b>	<b>47.0</b>	<b>50.0</b>

## 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;

- Expand on the functionality of the management software for the Super Card; and
- Work with the Department of Technology and Information (DTI) and Office of Management and Budget (OMB) to execute the first year of the project plan for implementation of the new financial system and the integration of this system with the Payroll/Human Resources Statewide Technology (PHRST) system.

### PERFORMANCE MEASURES

	FY 2006 Actual	FY 2007 Budget	FY 2008 Gov. Rec.
CAFR audit report	Clean	Clean	Clean
GFOA certificate	Awarded	Awarded	Awarded
\$ Super Card usage (millions)	85.1	102.1	122.5

# FINANCE

## 25-00-00

### REVENUE

#### 25-06-00

#### MISSION

The primary revenue collector for the State, the Division of Revenue's mission is to collect 100 percent of the taxes and other revenues required by law, no more and no less, and to do so in a manner that creates the highest possible level of satisfaction on the part of the public with the Division's competence, courtesy, effectiveness and efficiency.

#### KEY OBJECTIVES

- Improve voluntary compliance through improved communication with taxpayers, the use of electronic technology, better distribution and design of tax forms, and overall simplification of the tax code.
- Improve enforced compliance through the use of technology and effective allocation of resources to collection activities.
- Increase the cost effectiveness of divisional activities through the use of process flow analysis, establishment of meaningful benchmarks and judicious application of technical and human resources.
- Enhance the capabilities of staff through the implementation of a structured, long-term training and professional development program.

#### BACKGROUND AND ACCOMPLISHMENTS

Revenue revolves around three activities: tax processing, tax enforcement and policy formulation. Tax processing involves receiving documents and remittances (either in-house, via lockbox or electronic means), depositing remittances, entering/capturing data from returns, validating the taxpayer's determination of tax, refunding overpayments and assuring proper accounting (including internal controls), and reporting of these transactions.

Each year, the Division processes over 450,000 personal and 600,000 business tax returns and issues more than 320,000 tax refunds. In addition, Revenue information technology staff is responsible for the design and administration of some of the most sophisticated and technically-advanced processing and imaging systems in the State. Delaware has been a national leader in applying technology to tax administration.

Tax enforcement includes examinations and audits, and collection of delinquent accounts. The Division's enforcement responsibilities encompass 15 different revenue sources, including the State's personal and corporate income taxes, gross receipts tax and realty transfer tax.

The Division provides data, administrative support and consultation to the Economic Analysis group within the Office of the Secretary. The group is a central player in the development and analysis of Delaware's tax policy. It also plays a significant role in the coordination of economic development efforts with the State's overall fiscal strategy.

The Division has focused on improving the quality of service to its customers. One of the ongoing initiatives is the Quality Service Mailbox, which allows callers to leave comments for the Division. If a caller requests a response, the Division responds within 48 hours.

Electronic filing of income tax returns has continued to expand statewide. The Division received over 224,000 electronically filed personal tax returns in Fiscal Year 2006. The Division projects that it will receive 250,000 personal tax returns electronically in Fiscal Year 2007, which will represent approximately 54 percent of all personal income tax returns filed. These returns do not require manual intervention in the form of sorting, data-entry or return validation.

The Division has aggressively promoted the method of filing personal tax returns in a digital format, consisting of Internet, electronic software and bar-coded paper filing. Digital returns reduce mail and data-entry processing and, as a result improve the refund issuance process and decrease 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 323,000 in Fiscal Year 2006, or 71 percent of all current year personal tax returns filed.

The practice of outsourcing delinquent tax collections started in May 1993, with six private firms currently deployed to collect delinquent taxes. The amount of outsourced collections increased from \$3.2 million in Fiscal Year 1995 to \$14.3 million in Fiscal Year 2006.

As part of the Business Systems Master Plan (BSMP), the Division implemented an integrated imaging system into personal income tax return processing that permits exception returns to be separated from non-exception returns. This initiative, along with improved training in preparation for tax season and the use of outsourced data-entry, enabled the Division to continue to reduce the average number of days to issue a tax refund from 34

# FINANCE

## 25-00-00

days in Fiscal Year 1995 to 13.8 days in Fiscal Year 2006.

The collections of abandoned property have continued to increase over the last five fiscal years. In Fiscal Year 2001 the Division established an enforcement group to focus on enhancing enforcement efforts. These efforts have resulted in enforcement collections that have increased from \$42.3 million in Fiscal Year 2000 to over \$156 million in Fiscal Year 2006.

### FUNDING

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	12,321.6	12,675.8	13,328.5
ASF	2,569.3	3,186.0	3,196.4
<b>TOTAL</b>	<b>14,890.9</b>	<b>15,861.8</b>	<b>16,524.9</b>

### POSITIONS

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	193.0	181.0	181.0
ASF	18.0	27.0	27.0
NSF	--	--	--
<b>TOTAL</b>	<b>211.0</b>	<b>208.0</b>	<b>208.0</b>

## **REVENUE**

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

### ACTIVITIES

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

### PERFORMANCE MEASURES

	FY 2006 Actual	FY 2007 Budget	FY 2008 Gov. Rec.
\$ refund setoffs (millions)	5.04	5.25	5.50
\$ outsourced tax collections (millions)	14.3	15.0	16.0
Personal income tax refunds (days)	13.8	14.0	14.0
Digital personal returns (thousands)	323.0	340.0	360.0
Automated call distribution telephone waiting time (seconds)	15	15	15
\$ abandoned property enforcement collections (millions)	156.0	165.0	175.0
\$ abandoned property total collections (millions)	320.7	315.0	315.0

# FINANCE

## 25-00-00

### 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 total General Fund contribution of \$238.8 million in Fiscal Year 2008.
- Improve customer satisfaction as measured by the Annual Satisfaction Survey for players and retailers.

#### BACKGROUND AND ACCOMPLISHMENTS

For the tenth consecutive year Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per capita (\$727) than any other state. In addition, the Multi-State Lottery Association's interstate (Delaware, Rhode Island, West Virginia) progressive game, CASHOLA, had a very successful start-up and Lottery plans expanded participation in Fiscal Year 2007. Also, new video lottery legislation passed during Fiscal Year 2006 which authorized increasing the maximum number of games at the tracks from 2,500 to 4,000 and permits 24-hour operations.

On the traditional lottery side, Fiscal Year 2006 saw the Delaware Lottery continue its successful strategic marketing partnerships with in-state organizations and their events including Delaware State Fair, Dover International Speedway and University of Delaware. The Lottery also continued to expand its marketing efforts and services through its award-winning website at delottery.com. Now in its fifth year of existence, website visitor traffic continues to be among the highest of all Delaware operated websites.

The Delaware Lottery's marketing and sales achievements were recognized nationally in Fiscal Year

2006 when the North American Association of State and Provincial Lotteries named the Lottery's Assistant Director for Marketing and Sales as a Powers Award winner, the most prestigious individual award in the industry. It marked the second consecutive year that a Delaware Lottery employee was honored with a Powers Award.

In Fiscal Year 2006, the Delaware Lottery earned its seventh consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA for Lottery's CAFR. The GFOA 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 study, 96 percent of the Delaware residents surveyed reported they were not opposed to the State offering lottery games and 93 percent believed Delaware's games to be honest. More than four in ten Delaware Lottery players feel the Delaware Lottery is an essential fund raising operation for the State and nearly one-half (47 percent) believe the Delaware Lottery encourages people to play responsibly.

#### Accomplishments:

- Delaware ranked first out of the 43 U.S. lotteries with per capita annual sales of \$877 and per capita profit to the State of \$300 for Fiscal Year 2006.
- Delaware ranked sixth out of the 43 U.S. lotteries with percentage of profit to sales of 34 percent in Fiscal Year 2006.
- Delaware ranked fifth out of the 30 U.S. lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$49 for Fiscal Year 2006.
- Delaware ranked third out of the six U.S. lotteries operating video lottery with video net proceeds of \$603.5 million for Fiscal Year 2006.
- Since the start of video lottery, the Delaware Lottery has contributed \$13.2 million to the Department of Health and Social Services to help fund problem gambling treatment programs in Delaware.

**FINANCE**  
**25-00-00**

**FUNDING**

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	--	--	--
ASF	47,422.9	49,008.5	49,137.0
<b>TOTAL</b>	<b>47,422.9</b>	<b>49,008.5</b>	<b>49,137.0</b>

**POSITIONS**

	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2008 GOV. REC.
GF	--	--	--
ASF	29.0	29.0	29.0
NSF	--	--	--
<b>TOTAL</b>	<b>29.0</b>	<b>29.0</b>	<b>29.0</b>

---

**STATE LOTTERY OFFICE**  
**25-07-01**

---

**ACTIVITIES**

- Continue to expand the present lottery/retailer network.
- Maintain regulatory oversight and control of the video lottery on-line gaming system.
- Provide the public with games that are fun, easy and exciting to play.
- Explore new video lottery gaming formats that will allow the industry to stay competitive with neighboring states.
- Implement an enhancement to the statewide video lottery's central system that will allow greater flexibility in the selection of games made available to patrons.

**PERFORMANCE MEASURES**

	FY 2006 Actual	FY 2007 Budget	FY 2008 Gov. Rec.
\$ GF revenue collections (millions)	248.8	254.5	238.8
Annual satisfaction survey-% of positive responses from:			
Players	62	64	64
Retailers	78	85	85