

FINANCE

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Finance

Office of the Secretary

Accounting

Revenue

State Lottery Office

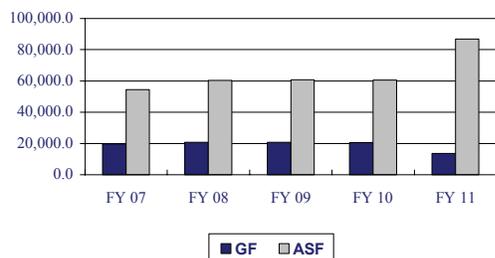
MISSION

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 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 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	24,331.4	13,568.2	14,177.5
ASF	58,748.1	86,789.8	86,789.8
TOTAL	83,079.5	100,358.0	100,967.3

POSITIONS

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	219.0	150.0	159.0
ASF	61.0	141.0	150.0
NSF	--	--	--
TOTAL	280.0	291.0	309.0

FY 2012 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- ◆ Recommend 9.0 FTEs and 9.0 ASF FTEs to meet First State Financials workforce needs.
- ◆ Recommend (\$52.1) in Contractual Services and (\$5.0) in Capital Outlay to reflect reductions in operating expenditures.

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OFFICE OF THE SECRETARY

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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 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 eight states currently holding these ratings;
- Took advantage of the low level of interest rates and refinanced a substantial portion of the State's outstanding debt, reducing debt service by over \$26 million;
- Worked with the General Assembly to pass enabling legislation for table game operations at the State's racinos and craft a statute that established an administrative appeal process for abandoned property audits;
- Provided technical assistance and advice to the Delaware Economic Development Office leading to the introduction and passage of the State's Business Finder's Fee tax credit legislation;
- Led efforts to address funding of the State's Other Post Employment Benefit (OPEB) obligations and worked with state actuaries, auditors and others to support favorable reporting policies consistent with Generally Accepted Accounting Principles (GAAP) requirements; and
- Moved, in Fiscal Year 2011, abandoned property collection and enforcement into the Office of the Secretary because of the growing importance of this revenue stream.

FUNDING

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	9,335.1	1,985.7	2,086.8
ASF	1,242.8	25,369.0	25,369.0
TOTAL	10,577.9	27,354.7	27,455.8

POSITIONS

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	18.0	17.0	17.0
ASF	--	38.0	38.0
NSF	--	--	--
TOTAL	18.0	55.0	55.0

OFFICE OF THE SECRETARY

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ACTIVITIES

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

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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

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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 new accounting system.
- Successfully complete the Comprehensive Annual Financial Report (CAFR) to ensure the State receives a clean audit and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
- Successfully process the bi-weekly payroll for state merit, non-merit, school district and higher education employees.
- Established First State Financials (FSF) processes for 1099s and GAAP package reporting by the identified production dates.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the division's ongoing initiatives have increased the efficiency of the State's financial processes and continued to enhance the availability of information to its customers. The division is committed to reaching these goals through the application of technology and a continuing effort to eliminate obsolete, paper-based processes in favor of more efficient alternatives.

FSF was successfully implemented on July 19, 2010, with 11 modules, including integration with Payroll and Human Resource Statewide Technology (PHRST). Classroom instruction and hands-on transaction labs were held to train end users and familiarize them with the new system. In addition, Requisition to Check Tips and Tricks workshops were held to review the process and address common misconceptions of the modules. A comprehensive website provides alerts, memoranda, job aides and Frequently Asked Questions (FAQ) to help end users as they adjust to the new ways of performing accounting functions. The division will continue monitoring the new system and reach out to state organizations for feedback, as well as work with specific

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agencies to address any concerns. During Fiscal Year 2011, a key end user group will gather to discuss the functionalities and provide feedback.

During Fiscal Year 2010, state organizations spent \$90.4 million on the SuperCard for goods and services to support operations. The division implemented a Governor's Performance Review initiative by identifying nine vendors state organizations were required to pay by SuperCard to reduce the number of checks being processed by the Office of the State Treasurer. The SuperCard staff also continued to perform quarterly analyses on spend balances and monthly spend limits. Organizational SuperCard coordinators were contacted to adjust these limits, as appropriate, to reduce the State's exposure to fraud.

The Budget and Accounting manual has been updated to reflect all FSF processes, and an additional manual is available with standard operating procedures regarding the SuperCard program. The team is actively involved in training initiatives for the PCard module on an ongoing basis.

The division continues efforts to enhance the State's ability to safeguard assets and preserve financial integrity. Statewide internal control of financial data is a priority focus on a national and state level. The division's internal control staff visited 20 state organizations during Fiscal Year 2010 and performed internal control reviews for controls over accounting/financial operations of state organizations. During Fiscal Year 2010, internal control guidelines for payroll were implemented by state organizations. All organizations submitted new signature cards and written certification confirming there is a Payroll System Internal Controls Plan in place.

For the fiscal year ended June 30, 2009, the division issued the State's CAFR in full compliance with Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align governmental financial statements with private industry. The division received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2009 to GFOA, marking the 15th consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	4,351.8	2,974.9	3,114.5
ASF	243.7	473.7	473.7
TOTAL	4,595.5	3,448.6	3,588.2

POSITIONS

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	41.0	40.0	53.0
ASF	5.0	5.0	10.0
NSF	--	--	--
TOTAL	46.0	45.0	63.0

ACCOUNTING

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ACTIVITIES

- Provide leadership for financial management activities throughout state government.
- Establish and implement policies, procedures and regulations pertaining to the statewide accounting and payroll systems.
- Provide and present a comprehensive view of the State's financial condition through regular publishing of interim financial statements and the year-end CAFR.
- Provide analysis, forecasting and tracking of expenditures for consideration by DEFAC.
- Process the State's accounting and payroll transactions, certify the validity of transactions and coordinate accounting, payroll and other financial matters with key agency fiscal personnel.
- Continue partnering with the Department of Technology and Information (DTI) and the Office of Management and Budget (OMB) to stabilize the new financial system.
- Continue to develop and implement a hiring plan to provide human resources to support the new financial system.

PERFORMANCE MEASURES

	FY 2010 Actual	FY 2011 Budget	FY 2012 Gov. Rec.
CAFR audit report	Clean	Clean	Clean
# of internal control reviews completed	20	37	30

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REVENUE

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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 307,000 electronically filed personal tax returns in Fiscal Year 2010. The division projects it will receive 320,000 personal tax returns electronically in Fiscal Year 2011. 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 377,000 in Fiscal Year 2010, just under 80 percent of all current year personal tax returns filed in Fiscal Year 2010.

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 18.3 days in Fiscal Year 2010.

	FUNDING		
	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	10,644.5	8,607.6	8,976.2
ASF	9,446.3	4,245.2	4,245.2
TOTAL	20,090.8	12,852.8	13,221.4

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	POSITIONS		
	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	160.0	93.0	89.0
ASF	29.0	43.0	43.0
NSF	--	--	--
TOTAL	189.0	136.0	132.0

REVENUE

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ACTIVITIES

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

PERFORMANCE MEASURES

	FY 2010 Actual	FY 2011 Budget	FY 2012 Gov. Rec.
# of days to process Personal Income Tax refunds	14.9	18.3	14.5
# of digital personal returns	377,000	340,000	410,000
Automated call distribution telephone waiting time (seconds)	33	25	27

STATE LOTTERY OFFICE

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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 contributions of \$235.9 million in Fiscal Year 2012.
- Continue to improve customer satisfaction as measured by annual satisfaction surveys.

BACKGROUND AND ACCOMPLISHMENTS

Fiscal Year 2010 was another very profitable year for the Delaware Lottery, producing General Fund contributions of \$275.5 million.

With more than 7,200 games in play, video lottery net proceeds for the fiscal year were in excess of \$547.0 million. Two new initiatives approved by the General Assembly, sports betting and casino style table games, have enhanced the three race track venues' competitive edge. The first full season of professional football parlay betting concluded last January, and all three racinos reported it as very successful. The increased floor traffic added not only new revenue from sports wagering, but also had a positive effect on video lottery play. By the end of Fiscal Year 2010, the State Lottery Office had completed implementation of table games (blackjack, roulette, craps, etc.) at the tracks. With an initial offering of a combined 121 gaming tables and 42 poker tables, the enterprise has been well received by the public, and early revenue results have been very encouraging.

Fiscal Year 2010 saw the Delaware Lottery's traditional product line perform well in a difficult retail environment. Also contributing to traditional product sales was the addition of Mega Millions, a multi-jurisdictional game previously offered only by non-Powerball states. The Lottery also continued its pro-

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active player protection initiative by completing the installation of stand-alone ticket checkers in all its retailer locations. Customers can now check if their instant tickets are winners before interacting with the retailer for payment. This not only protects the player but also saves valuable time for the retailer.

The Delaware Lottery's marketing program focused on messaging and creating opportunities to interact with the public throughout the year by continuing to sponsor appropriate, community-level activities in all areas of the state. Cooperative sports programs were conducted for the duration of the winter sports season with both the University of Delaware and Delaware State University. In addition, the Lottery continued its ongoing, long-term relationships with the Delaware State Fair, Blue Rocks and Punkin' Chunkin', as well as its more recent sponsorships of the Wilmington Riverfront Blues Festival, June Jam and the Nanticoke River Festival. During Fiscal Year 2010, the Lottery added sponsorships with such diverse partners as the Delmarva Chicken Festival, Fringe Wilmington Art Festival and Newark Food and Brew Festival.

During Fiscal Year 2010, the Delaware Lottery earned its 11th consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by GFOA of the United States and Canada for the Lottery's CAFR. The certificate of achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

The demographic profile of Delaware Lottery players continues to closely resemble the profile of the adult population (aged 18 years and older) of the State of Delaware by region, gender, age, education and income.

Accomplishments:

- Delaware ranked first out of the 44 U.S. Lotteries with combined per capita annual sales of \$745 in Fiscal Year 2010.
- Delaware ranked second out of the 44 U.S. Lotteries with combined per capita profit to the State of \$306 in Fiscal Year 2010.
- Delaware ranked second out of the 44 U.S. Lotteries with combined percentage of profit to sales of 41 percent in Fiscal Year 2010.
- Delaware ranked fourth out of the 41 U.S. Lotteries offering both Powerball and MegaMillions with combined per capita annual sales of \$37 for those games in Fiscal Year 2010.
- Since the start of video lottery, the Delaware Lottery has contributed \$21.1 million to the Department of

Health and Social Services to help fund initiatives that address problem gambling in Delaware.

FUNDING

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	--	--	--
ASF	47,815.3	56,701.9	56,701.9
TOTAL	47,815.3	56,701.9	56,701.9

POSITIONS

	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2012 GOV. REC.
GF	--	--	--
ASF	27.0	55.0	59.0
NSF	--	--	--
TOTAL	27.0	55.0	59.0

STATE LOTTERY OFFICE

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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 24/7 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 2010 Actual	FY 2011 Budget	FY 2012 Gov. Rec.
\$ GF revenue collections (millions)	275.5	224.1	235.9
Annual satisfaction survey – % of positive responses from:			
players	67	71	69
retailers	92	94	94