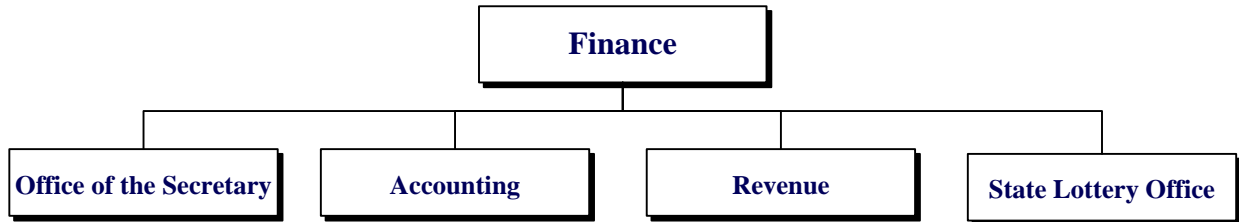


FINANCE

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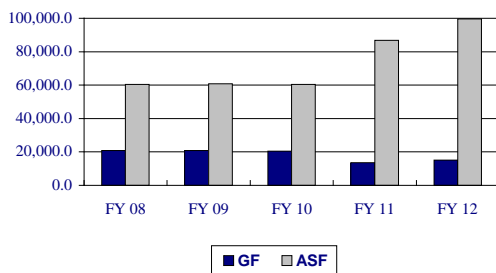
MISSION

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 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	21,091.5	15,175.1	17,677.1
ASF	79,716.0	99,601.7	99,707.7
TOTAL	100,807.5	114,776.8	117,384.8

POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	150.0	161.5	162.5
ASF	141.0	147.5	147.5
NSF	--	--	--
TOTAL	291.0	309.0	310.0

FY 2013 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- Recommend reallocation of \$1,691.3 in ERP Operational Funds from Executive, Office of Management and Budget, Contingencies and One-Time Items.

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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 eight states currently holding these ratings;

- Helped the Sustainable Energy Utility with its inaugural issue of revenue bonds to ensure the highest credit rating possible;
- Worked with the business community and General Assembly to design and adopt a fiscally responsible modernization of the State's primary job creation tax incentives;
- Provided technical assistance and advice to the Governor and General Assembly, leading to the introduction and passage of cuts to personal income, public utility and gross receipts taxes; and
- Led efforts to address funding of the State's Other Post Employment Benefit obligations and worked with state actuaries, auditors and others to support favorable reporting policies consistent with Generally Accepted Accounting Principles (GAAP) requirements.

FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	10,000.9	2,086.8	2,116.9
ASF	27,997.9	37,421.3	37,452.0
TOTAL	37,998.8	39,508.1	39,568.9

POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 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.
- 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 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.
- Manage First State Financials (FSF) processes for 1099s and Payroll W-2 reporting requirements.
- 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 State's internal control structure by matching system functionality with internal control best practices, role-based user access and the ability to perform centralized monitoring functions across state agencies. The State's financial reporting capabilities have also been greatly expanded with the implementation of FSF. In Fiscal Year 2011, the Financials Advisory Committee was created. This key end-user group will gather to discuss the functionalities of FSF and provide feedback.

The division works closely with the Division of Revenue to ensure newly implemented and revised tax laws are appropriately considered and properly adopted and accounted for within the payroll system. The division processes payroll and provides guidance on payroll related internal controls, policies and practices.

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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 2011, 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, 2010, the division issued the State's CAFR in full compliance with Governmental Accounting Standards Board (GASB) reporting requirements. The division received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2010 to GFOA, marking the 16th consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	3,900.1	4,699.8	7,085.0
ASF	418.9	646.7	658.3
TOTAL	4,319.0	5,346.5	7,743.3

POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	40.0	56.5	57.5
ASF	5.0	7.5	7.5
NSF	--	--	--
TOTAL	45.0	64.0	65.0

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 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
CAFR audit report	Clean	Clean	Clean
# of internal control reviews completed	22	30	30

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 346,000 electronically filed personal tax returns in Fiscal Year 2011. The division projects it will receive 360,000 personal tax returns electronically in Fiscal Year 2012. 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 388,000 in Fiscal Year 2011, just under 87 percent of all current year personal tax returns filed in Fiscal Year 2011.

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 17.2 days in Fiscal Year 2011.

FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	7,190.5	8,388.5	8,475.2
ASF	4,974.7	4,829.0	4,871.0
TOTAL	12,165.2	13,217.5	13,346.2

FINANCE

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POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	93.0	88.0	88.0
ASF	43.0	43.0	43.0
NSF	--	--	--
TOTAL	136.0	131.0	131.0

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 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
# of days to process Personal Income Tax refunds	17.2	17.0	16.5
% of digital personal returns	87	89	91
Automated call distribution telephone waiting time (seconds)	36	30	30

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 contributions of \$256.7 million in Fiscal Year 2013.
- Continue to improve customer satisfaction as measured by annual satisfaction surveys.

BACKGROUND AND ACCOMPLISHMENTS

With more than 7,000 games in play, video lottery net proceeds for the fiscal year were almost \$500.0 million. At the end of Fiscal Year 2011, the largest jackpot in Delaware video lottery history was awarded. Continuing to enhance the three race track venues' competitive edge were two initiatives implemented in Fiscal Year 2010: sports betting and casino style table games. The second full season of professional football parlay betting concluded last January with a year over year increase in sales of 19.4 percent and an increase in General Fund contributions of 31.2 percent. Fiscal Year 2011 was the first full year of table games at the tracks. Offering a combined 121 gaming tables and 77 poker tables, the enterprise generated over \$388 million in sales last year. The State Lottery Office and the Division of Gaming Enforcement have worked together in processing over 3,300 gaming employee licenses since table gaming was authorized by the General Assembly, more than half of which represent new jobs.

Fiscal Year 2011 saw the Delaware Lottery's traditional product line continue to perform well in a difficult retail environment. The Delaware Lottery bolstered its traditional product sales with a mid-year launch of Delaware Cash 5, a variation of a lotto-type game offering smaller, cash prizes but with more frequent jackpot winners.

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The Delaware Lottery's marketing program focused on messaging and creating opportunities to interact with the public throughout the year by continuing to sponsor community-level activities. 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 Delaware Lottery continued its ongoing relationships with the Delaware State Fair, Blue Rocks, Punkin' Chunkin', Wilmington Riverfront Blues Festival, June Jam and Nanticoke River Festival. During Fiscal Year 2011, the Lottery also added sponsorships with the Wyoming Peach Festival and Saint Anthony's Italian Festival in Wilmington.

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 2011:

- The Delaware Lottery earned its 12th consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by GFOA of the United States and Canada for the Lottery's CAFR;
- Delaware ranked second out of the 44 U.S. Lotteries with combined per capita annual sales of \$692;
- Delaware ranked second out of the 44 U.S. Lotteries with combined per capita profit to the State of \$319;
- Delaware ranked second out of the 44 U.S. Lotteries with combined percentage of profit to sales of 40 percent; and
- Delaware ranked fourth out of the 41 U.S. Lotteries offering both Powerball and MegaMillions with combined per capita annual sales of \$34 for those games.

FUNDING

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	--	--	--
ASF	46,324.5	56,704.7	56,726.4
TOTAL	46,324.5	56,704.7	56,726.4

POSITIONS

	FY 2011 ACTUAL	FY 2012 BUDGET	FY 2013 GOV. REC.
GF	--	--	--
ASF	55.0	59.0	59.0
NSF	--	--	--
TOTAL	55.0	59.0	59.0

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 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 2011 Actual	FY 2012 Budget	FY 2013 Gov. Rec.
\$ GF revenue collections (millions)	287.5	266.9	256.7
Annual satisfaction survey – % of positive responses from:			
players	67	68	69
retailers	92	93	94