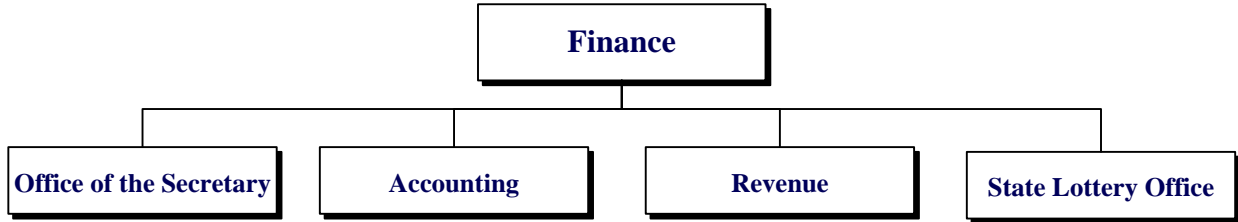


**FINANCE**  
**25-00-00**



**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.

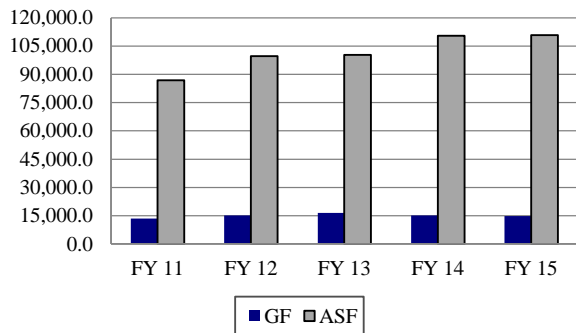
**FUNDING**

	<b>FY 2014 ACTUAL</b>	<b>FY 2015 BUDGET</b>	<b>FY 2016 GOV. REC.</b>
GF	14,359.0	14,882.3	14,553.2
ASF	98,805.4	110,798.1	110,798.1
<b>TOTAL</b>	<b>113,164.4</b>	<b>125,680.4</b>	<b>125,351.3</b>

**POSITIONS**

	<b>FY 2014 ACTUAL</b>	<b>FY 2015 BUDGET</b>	<b>FY 2016 GOV. REC.</b>
GF	146.5	144.7	141.7
ASF	154.5	156.3	152.3
NSF	--	--	--
<b>TOTAL</b>	<b>301.0</b>	<b>301.0</b>	<b>294.0</b>

**Five-Year Appropriation History**



# 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 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;

- Implemented process improvements resulting in the return of \$104 million in unclaimed property to the rightful owners, a five-fold increase over the previous record;
- Facilitated the transfer of the financial administration of the Drinking Water State 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 legislation that doubled the State's research and development credit and made it permanent for small businesses.

#### FUNDING

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	2,564.8	2,078.5	1,731.7
ASF	46,661.1	47,549.7	47,549.7
<b>TOTAL</b>	<b>49,225.9</b>	<b>49,628.2</b>	<b>49,281.4</b>

#### POSITIONS

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	17.0	16.0	16.0
ASF	38.0	37.0	35.0
NSF	--	--	--
<b>TOTAL</b>	<b>55.0</b>	<b>53.0</b>	<b>51.0</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 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

## FINANCE

### 25-00-00

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 division has strived toward continuous improvement, has worked closely with agency heads to understand potential weaknesses and developed varying solutions that impact everything from cash and financial management to resource optimization through transaction processing efficiencies. The implementation of FSF has significantly strengthened the State's internal control structure and, over the past four years, the State's financial reporting capabilities have greatly expanded. The most recent change now allows for CAFR financial reporting processes to be completely integrated with FSF, eliminating the need for third party applications to map

# FINANCE

## 25-00-00

accounts and process accrual journal entries.

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.

During Fiscal Year 2014, the division performed internal control reviews for accounting/financial operations for over 30 state organizations and provided the organizations with recommendations for improvement or confirmation of effective control environment. In Fiscal Year 2015, the division has performed desk reviews on PCard and payroll internal controls for over 100 organizations throughout the state.

For the fiscal year ended June 30, 2013, 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 2013 marking the 19th consecutive year Delaware has been recognized by GFOA.

### FUNDING

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	4,966.4	5,579.2	5,636.4
ASF	578.1	840.4	840.4
<b>TOTAL</b>	<b>5,544.5</b>	<b>6,419.6</b>	<b>6,476.8</b>

### POSITIONS

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	49.5	47.7	46.7
ASF	7.5	10.3	10.3
NSF	--	--	--
<b>TOTAL</b>	<b>57.0</b>	<b>58.0</b>	<b>57.0</b>

## ACCOUNTING 25-05-01

### ACTIVITIES

- Provide leadership for financial management activities throughout state government.

- Establish and implement policies, procedures and regulations pertaining to 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 2014 Actual	FY 2015 Budget	FY 2016 Gov. Rec.
CAFR audit report	*	Unqualified	Unqualified
# of internal control reviews completed	31	31	31
# of statewide payroll examinations	2	2	2

*\*Audit for Fiscal Year 2014 has not been completed.*

# FINANCE

## 25-00-00

### 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 405,000 electronically filed personal tax returns in Fiscal Year 2014. The division projects it will receive 415,000 personal tax returns electronically in Fiscal Year 2015. These returns do not require manual intervention in 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 428,000 in Fiscal Year 2014, almost 87 percent of all current year personal tax returns filed.

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 14.8 days in Fiscal Year 2014.

# FINANCE

## 25-00-00

### FUNDING

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	6,827.8	7,224.6	7,185.1
ASF	5,777.8	5,749.8	7,189.8
<b>TOTAL</b>	<b>12,605.6</b>	<b>12,974.4</b>	<b>14,374.9</b>

### POSITIONS

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	80.0	81.0	79.0
ASF	46.0	46.0	46.0
NSF	--	--	--
<b>TOTAL</b>	<b>126.0</b>	<b>127.0</b>	<b>125.0</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 to the State.
- Manage and supply records of filings for current and prior years.
- Provide support to core division activities.

#### PERFORMANCE MEASURES

	FY 2014 Actual	FY 2015 Budget	FY 2016 Gov. Rec.
# of days to process Personal Income Tax refunds	15	14	13
% of digital personal returns	87	88	90
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 \$207.3 million in Fiscal Year 2016.
- Continue to improve customer and retailer satisfaction.

#### BACKGROUND AND ACCOMPLISHMENTS

With more than 6,500 games in play, video lottery net proceeds for Fiscal Year 2014 totaled more than \$355 million. The multi-jurisdictional, wide-area progressive Video Lottery Game Group, consisting of Delaware (Chair), West Virginia, Rhode Island and Ohio, administered under the auspices of the Multi-State Lottery Association, continued to offer the MegaHits games, which have consistently outperformed all other video games at each of Delaware's three race tracks. In Fiscal Year 2015, Maryland will become the fifth state to join the Game Group. Fiscal Year 2014 marked the fourth full year of table games (blackjack, roulette, craps, poker, etc.) at the tracks. The three casinos offered a combination of 113 gaming tables and 73 poker tables. Lottery and the Department of Technology and Information continued to work together to enhance Lottery's initiative of an electronic/online casino employee licensing process. The system is expected to be rolled out during the first quarter of Fiscal Year 2015.

During Fiscal Year 2014, Lottery's traditional products had a record sales year of \$148.3 million, which represented a 3 percent increase over Fiscal Year 2013. Sales were led by the multi-state jurisdiction jackpot games Powerball and MegaMillions, as well as instant scratch-off games.

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

During Fiscal Year 2014, Lottery was tasked with continuing 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 continued the Sports Lottery expansion into retail locations that began in Fiscal Year 2013. During Fiscal Year 2014, the number of retail establishments participating in Sports Lottery more than doubled to over 70 retail establishments during the 2013/2014 pro football season. The result was a jump in handle from \$25.4 million in Fiscal Year 2013 to \$31.5 million in Fiscal Year 2014, an increase of 24 percent, with no cannibalization of the tracks.

During the second half of Fiscal Year 2013, Lottery launched Keno with an initial group of 80 retail locations. By the end of Fiscal Year 2014, that number had reached to just over 100 and continues to grow.

In Fiscal Year 2014, Lottery launched the nation's first full-scale online Internet casino and poker offering. This included three Internet casinos, one associated with each of the State's licensed video lottery agents, Delaware Park, Dover Downs and Harrington Raceway. Delaware's Internet gaming launch also introduced the nation's first "shared liquidity" poker network, allowing players from multiple internet casinos to sit in one common poker room and play against each other.

Shortly after the introduction of online casino wagering in Delaware, the Governors of Delaware and Nevada worked diligently to continue to break new ground. By February of 2014, the two states had established the legal framework for creating regulated, multi-jurisdictional online poker rooms, and signed a multi-state agreement. The agreement will allow players from Delaware and Nevada to participate in a common poker game. This feature will continue to drive multi-state gaming revenue by increasing the number of players available at every stake and game style at any time of day the player wishes to play.

Additionally, Senate Bill 112, passed July 1, 2013, established final legislation regarding the implementation and oversight of Charitable Gaming Organizations (CGO), which was initially authorized by House Bill 1 and passed as a temporary measure in January 2013. The final language modified the number of charitable gaming machines allowed by any individual CGO and increased Lottery's oversight and administrative responsibilities by requiring that Charitable Gaming Vendors now contract directly with Lottery.

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 participated in more recent associations with such diverse events as the Wyoming Peach Festival and Saint Anthony's Italian Festival. During Fiscal Year 2014, Lottery expanded its community-based activities to include the Triple Threat Beer & BBQ Festival in Harrington, the Wilmington Riverfront Blues Festival, Milford's Bug and Bud Festival, Old Dover Days and Delaware 87ers sporting events.

Lottery's accomplishments during Fiscal Year 2014 included:

- Delaware ranked third out of the 44 U.S. Lotteries with combined per capita annual sales of \$597;
- Delaware ranked fifth out of the 44 U.S. Lotteries with combined per capita profit to the State of \$215; and
- Delaware ranked fourth out of the 44 U.S. Lotteries offering both Powerball and MegaMillions with combined per capita annual sales of \$40.

**FUNDING**

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	--	--	--
ASF	45,788.4	56,658.2	55,218.2
<b>TOTAL</b>	<b>45,788.4</b>	<b>56,658.2</b>	<b>55,218.2</b>

**POSITIONS**

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2016 GOV. REC.
GF	--	--	--
ASF	63.0	63.0	61.0
NSF	--	--	--
<b>TOTAL</b>	<b>63.0</b>	<b>63.0</b>	<b>61.0</b>

**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.

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

- 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 MEASURE**

	<b>FY 2014 Actual</b>	<b>FY 2015 Budget</b>	<b>FY 2016 Gov. Rec.</b>
\$ GF revenue collections (millions)	214.6	206.2	207.3