The Markell Fiscal Legacy:
Meeting Unprecedented Challenges While Preparing for the Future

Overview: The Department of Finance (DOF) is comprised of four agencies, the Office of the Secretary, the Division of Revenue, the Division of Accounting and the State Lottery Office. While offering somewhat disparate services, the Department's agencies are united by a common mission.

Distilled to its essence, the Department of Finance's mission is to provide the financial means and tools needed for State government's effective operation. Good schools, a clean environment, safe streets – none of these are possible without a sound fiscal foundation. Under typical circumstances, this mission is challenging and complex.

The last eight years, however, can hardly be described as "typical."

The Markell Administration's arrival was greeted with unprecedented fiscal upheaval in the form of an $800 million budget shortfall that was the byproduct of the worst economy since the Great Depression, financial crisis, and growing challenges to key revenue sources.

From this precarious starting point, Department of Finance went about its business with composure and professionalism, providing, as expected, the financial resources to fund essential ongoing services but also laying the groundwork that now forms the State's fiscal foundation:

- **Maintaining Delaware's AAA Bond Rating** by adhering to prudent financial practices and eschewing gimmicks that are inconsistent with best practices;
- **Modernizing the State's Business Taxes** ensuring Delaware's business climate remains among the nation's most competitive; and
- **Developing a Road Map for Future Reform** by engaging in an exhaustive review of the State's revenue systems outlining looming challenges and presenting clearheaded policy solutions.

While they may have followed separate paths and faced unique challenges, each of DOF's agencies played critical roles in establishing this foundation.

Office of the Secretary

The Secretary of Finance's Office, under the guidance of Thomas J. Cook, promotes Delaware's fiscal health fairly and efficiently by forecasting, generating, collecting and accounting for funds critical to essential government services.

As discussed above, upon assuming office in 2009, DOF's challenges were immense and immediate. As a consequence, the urgency of these challenges necessitated that the Office of the Secretary employ a "triage" approach to policy development by:

- **First, Stabilizing the Fiscal Base** -- to ensure that the State's revenue system produces a sufficient and reliable flow of revenues need to fund essential services;
- **Next, Maximizing Resources and Opportunities –** by improving operational efficiencies and identifying and updating outdated policy measures so that citizens receive the highest return possible on their tax dollars; and
- **Finally, Planning for the Future –** by openly discussing the State's most pressing fiscal concerns and assembling its most experienced financial minds to produce concrete recommendations for current and future policymakers.

<u>Stabilizing the Fiscal Base</u>

Given the speed and extent to which the economy unraveled during FY 2009, it would not be wholly unexpected if the crisis atmosphere produced a hasty policy response. To the credit of Secretary of Finance and Governor, this was decidedly not the case. Instead those initial decisions were guided by sound fiscal principles that continue to shape the Department's policy process.

The fiscal modifications that were adopted during this stage balanced revenue needs with Delaware's competitiveness. Initial increases in Delaware's core tax sources needed to close an $800 million budget gap were followed by successive adjustments designed to enhance the State's business climate:

- **Top PIT Rate Cut Twice:** As the revenue picture brightened, an initial increase in the personal income tax's top rate from 5.95% to 6.95% was follow by two tax cuts, leaving the current top rate 6.6%;

- **Gross Receipts Tax:** An initial gross receipts tax increase was followed by:

    - Two across-the-board rate reductions,
    - A 25% increase in monthly exemptions (from $80,000 to $100,000) that removed 330 businesses from the tax rolls;
    - A 30% rate cut for manufacturers; and
    - A 48% rate cut on supermarkets' monthly receipts in excess of $2 million

- **Public Utility Tax:** An initial rate increase from 4.25% to 5.00% was later modified by:
    - Returning the general rate on gas and electricity back to 4.25%;
    - Reducing from 2.35% to 2.00% the rate on gas and electricity paid my manufacturers, food processors and other agri-businesses; and
    - Repeal of an out-of-date “wire-mile” tax on telephone transmitters and lines.

Maximizing Resources and Opportunities:

As essential legislation helped to strengthen the fiscal base, the Department continued to identify ways to maximize fiscal resources and opportunities through the use of economic development incentives, capital cost cutting measures, and by coordinating with other government agencies and the public to provide more efficient service.

Economic Development: While economic headwinds put pressure on policymakers to incentivize job growth and investment, the lean budgets that accompany a tentative recovery also mean fewer resources to support economic development incentives. The Department responded to this challenge by modernizing three key economic development provisions so they could deliver better targeted incentives at little or no additional cost to the State.

- Blue Collar Jobs Tax Credits Made Permanent: In the case of the Blue Collar Jobs income tax credit, in 2011 DOF found that by cutting the application deadline to three-years, it could: a) limit the participation of firms for which the credit was likely an afterthought; and b) use the resulting savings to increase the size of the tax credit by 25% at no additional cost to the State.

- Research & Development Tax Credits Doubled, Permanently: Similarly, the State’s Research and Development tax credit had largely been unused by smaller firms. DOF research revealed that the size of the credit granted to smaller firms could be easily be doubled and result in no loss of tax revenue for the State.

- Gross Receipts Tax changes to help retain local business: In 2011 and 2012 the Department was instrumental in crafting amendments to the gross receipts tax which modified the treatment of wholesale petroleum transactions. These amendments were critical to the viability of PBF’s business model and ability to access domestic feed stocks.

Upon it's opening, PBF employed approximately 500 employees and 250 contractors, restoring over 750 jobs to Delaware.

Minimizing the State's Cost of Capital: The DOF, through the Director of Bond Finance, strategically monitors debt outlays for opportunities and cost savings. Consequently the Department of Finance has undertaken numerous bond refundings, maintained an aggressive debt amortization schedule during difficult budget cycles, taken advantage of federal tax policy to reduce interest costs and adopted strategies to diversify the investor base. Notable successes include:

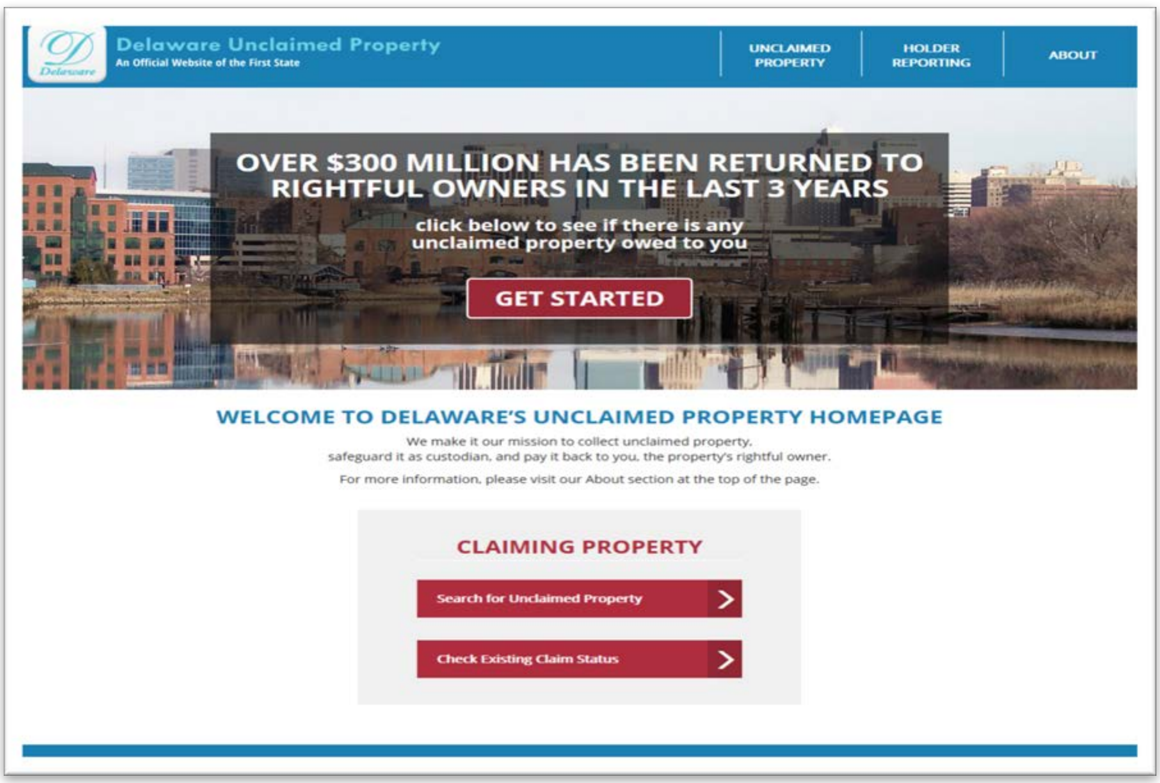
- $60.76 million in present value debt service savings realized between 2009 through 2016.
- The State's bond portfolio matures 70% of outstanding principal over the next 10 years, a measure often cited as favorable by rating agencies for triple-A rated states.
- Using the taxable bonding ability afforded by the American Recovery and Reinvestment Act, Delaware avoided $54.4 million in interest via a federal subsidy that it expects to receive over the life of the bonds.
- Delaware's investor base was once made up of only pension funds and insurance companies that used Delaware's high-quality, long-term bonds to offset long-term liabilities. Retail investors were introduced in 2005, but since then, foreign investors, attracted to the higher yielding taxable bonds introduced with ARRA, have been added to the mix. In the October 2014 transaction, the State issued CRA eligible bonds catering to the need of commercial banks.

Preserving the Unemployment Insurance (UI) Trust Fund: Delaware's General Fund was not the only element of its fiscal portfolio affected by the Great Recession. As a result of the recession and the number of jobs lost, the Unemployment Insurance Trust Fund paid out more in benefits than it received. As a consequence, the depleted Trust required a federal advance to continue the payment of unemployment benefits.

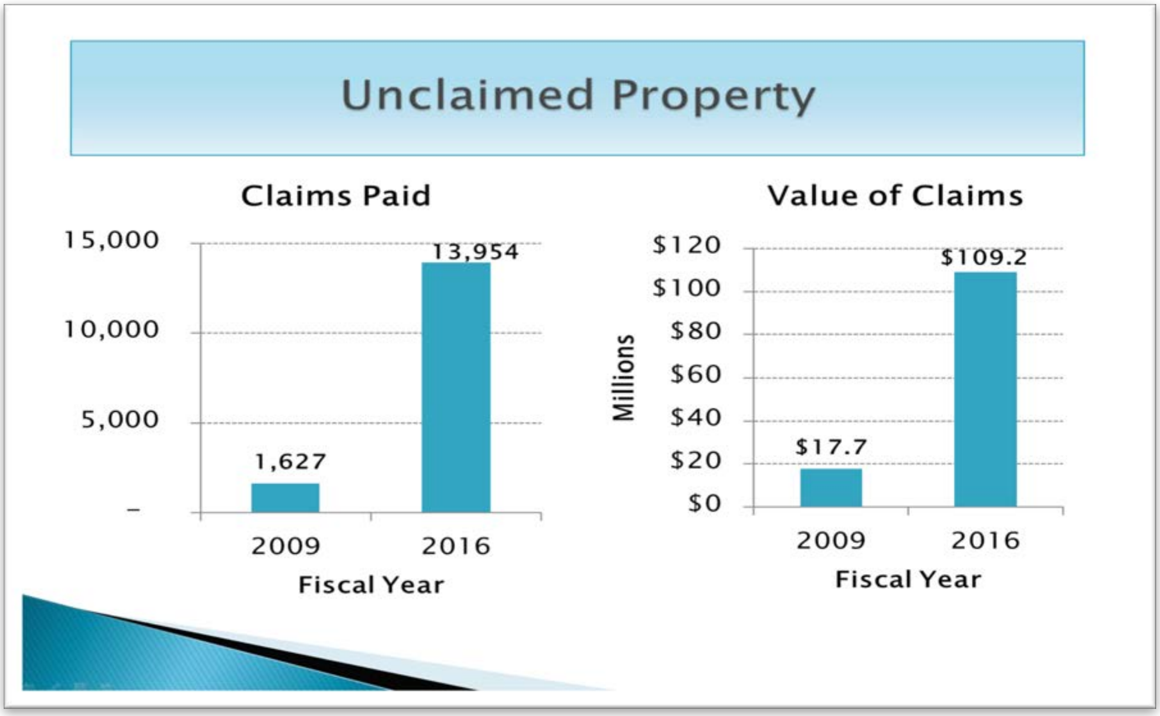
With a federal loan balance of almost $80 million, Delaware faced the possibility of a mandatory punitive tax on employers imposed by the federal government to repay the loan. With a still somewhat uncertain economic outlook, however, an added tax burden on Delaware' employers was considered an unacceptable option. The situation called for a better solution and DOF answered the call.

DOF modeled and designed a plan to pay off federal advances to the UI Trust Fund and return the fund to solvency. Working with the Department of Labor, members of the General Assembly, the Chamber of Commerce and labor leaders, the strategy minimized the negative impact on Delaware employers by repaying the advance and gradually replenishing the Trust.

Enhancing Public Services: Within the Office of the Secretary, the Unclaimed Property Office made it easier to find lost property by introducing a searchable website allowing individuals to submit claims and documentation in a secure environment, offering electronic filing for corporate holders of unclaimed property, and introducing an imaging system which enhanced document security and improved processing efficiencies.



In 2016 DOF processed over 13,900 claims worth more than $109 million, surpassing prior highs by factors of 8 and 6 respectively.



<u>Planning for the Future:</u>

Comprehensive Revenue Review: As the economy emerged from the Great Recession and began to record solid growth, DEFAC members and leaders around the State noted that the recovery was not fully reflected in the State's revenues. There are two primary reasons for this result. First, too many of the State's revenue sources, the lottery and corporate franchise taxes, for example, are not aligned to the economy and, consequently, fail to respond to economic growth. And second, other important revenue sources, like unclaimed property and the corporate income tax, are inherently volatile and unpredictable. The revenue system's lack of responsiveness translates into unceasing pressure on budget writers to identify and implement cost-saving measures while its volatility requires that they do so when the revenue outlook is often akin to a "moving target."

On January 14, 2015 Governor Markell issued Executive Order Number 47 charging the Delaware Economic and Financial Advisory Council (DEFAC) to evaluate of Delaware's revenue portfolio with the goals of identifying means of ensuring adequate responsiveness to economic growth, mitigating volatility, and promoting economic growth.

The Secretary of Finance's Office played the central role in ensuring that the evaluation of Delaware's revenue portfolio would adhere to DEFAC's ethos of transparent, inclusive, bi-partisan and objective analyses. The Office identified criteria for evaluating tax policy; developed statistical analyses for measuring revenue sources' performance against those criteria; and evaluated, modeled and presented policy alternatives designed to meet the goals articulated in Executive Order No. 47.

Findings & Recommendations: The Council concluded that the combination of the State's unique revenue structure and several policy "silver bullets" enacted over the past 35 years had effectively insulated Delaware from sensible updates to its many of its core revenue sources. The Council saw too that in terms of revenue production, the State's "silver bullets" had peaked and were unlikely to rebound.

The Council concluded that sensible change to core revenues would be the most reliable means of improving Delaware's portfolio. The Council's final report examined both short- and long-term issues, including the possibility of new State revenue sources and refining the State's fiscal controls regarding cash balances and reserve funds. The reforms offering the most immediate benefits, however, centered on the personal and corporate income taxes.

A UNIQUE REVENUE STRUCTURE

- No Sales Tax
- Among the nation's lowest Property Taxes
- Heavy reliance on Incorporation Taxes and Fees

PAST POLICY "SILVER BULLETS"

- Financial Center Development Act
- Casino gaming revenues
- Unclaimed Property revenues

- Personal Income Tax
  - Responsiveness is challenged by erosion of tax base due to statutory exemptions, especially those granted to retirees;
  - For the entire portfolio to keep pace with expenditure pressures, it is critical that PIT remains responsive;
  - Improving revenue adequacy while maintaining economic competitiveness indicates that base-broadening (as opposed to rate increases) is the preferred policy option:
    - Limiting or eliminating itemized deductions; and/or
    - Restructuring and/or means-testing elderly tax breaks.

- Corporate Income Tax (CIT)
  - Highly volatile, unpredictable
  - Uncompetitive with other states
    - Outdated apportionment method harms Delaware's competitive position
    - High tax rate

- Recommend that the State reduce its reliance on CIT
  - More weight on sales factor
  - Lower tax rate
  - Even quarterly payments

A Working Policy Blueprint: The DEFAC report was issued in May of 2015 [1]and by June of 2016 one of its principal recommendations had been adopted at a defining moment for the State's economy. Consistent with the Council's recommendations, the "Delaware Competes Act" changed the way corporate income tax apportionment is calculated and, consequently, ensures companies won't pay more for decisions to hire and expand in the State. The Act paid immediate dividends as it was a critical element in Chemours' (and later Dow-DuPont's) decision to retain headquarters operations in Delaware.

The Competes Act's scope extended beyond large corporations and included several provisions designed to simplify burdensome filing requirements for small businesses.

The Act simplified quarterly corporate income tax filings and restructured an outdated penalty provision that complicated small businesses' tax planning.

The Act also raised gross receipts tax and withholding filing thresholds that had remained unchanged for roughly 20 years. As a result of these changes, filing frequencies were cut for:

- 1,000 small business gross receipts filers, and
- 2,000 small business withholding filers.

UNDERSTANDING THE DELAWARE COMPETES ACT

WHAT IS APPORTIONMENT?

Apportionment is the process by which multi-state firms determine what share of their total income is "assigned" to Delaware.

WHAT WAS DELAWARE'S METHOD?

Delaware used 3-factor apportionment
- Property factor
- Payroll factor
- Sales factor

Each factor received equal weight

HOW DID IT WORK?

Delaware's old apportionment formula:

$$\frac{\frac{\text{DE Property}}{\text{US Property}} + \frac{\text{DE Payroll}}{\text{US Payroll}} + \frac{\text{DE Sales}}{\text{US Sales}}}{3}$$

WHAT WAS THE PROBLEM?

If DE employment/investment increased:
- Apportionment increased, and consequentially,
- The amount of Delaware tax increases.

THE SOLUTION

Place more and, eventually, all of the weight on the sales factor.

2017	50%
2018	60%
2019	75%
2020	100%

THE RESULT: adding jobs and investment in Delaware no longer results in higher CIT liabilities.

[1] The Final Report of the DEFAC Advisory Council on Revenues is available on line at http://www.finance.delaware.gov/publications/defac/DEFAC_Advisory_Council_on_Revenue-Final_Report.pdf

Governor Markell Signs "The Delaware Competes Act"

Flexible and Responsive: Close on the heels of the "Competes Act" the Office of the Secretary was again called upon to craft a tax policy response necessitated by Dow-DuPont's decision to spit the merged company into three separate and independent corporations. Delaware was at once thrust into a frenetic multi-state competition for corporate headquarters and thousands of high-paying jobs.

Unlike the Competes Act, there was no established "playbook" that could meet the unique circumstances presented by the series of corporate restructurings contemplated in this case. Ultimately, Delaware determined that its viability versus other states depended on the State's ability to distinguish itself as a natural location for global headquarters and a center for research and development. In meeting this challenge, the Office of the Secretary worked with stakeholders to craft the "Commitment to Innovation Act." This legislation included provisions that:

- Modernized the Research and Development Tax Credit ensuring that all companies receive the full research and development tax credit for which they qualify by:
  - Removing the annual expenditure cap of $5 million and
  - Making the credit refundable.

- Modified the New Economy Jobs tax credit by extending the scope of the tax credit to include jobs retained in the State by certain companies as a result of the establishment of a global corporate headquarters in Delaware.

The Commitment to Innovation Act was critical to Delaware maintaining its position as an R&D leader and the viability of facilities like DuPont's Experimental Station pictured above.

The Commitment to Innovation Act was a pivotal element of the State's proposal to DuPont to locate the headquarters of both the agricultural company spin-off and its specialty products spin-off following its expected merger with Dow.

In addition to the efforts provided by the Secretary's Office, DOF's Divisions were also innovating, exploiting opportunities, and laying a firm foundation for the future.

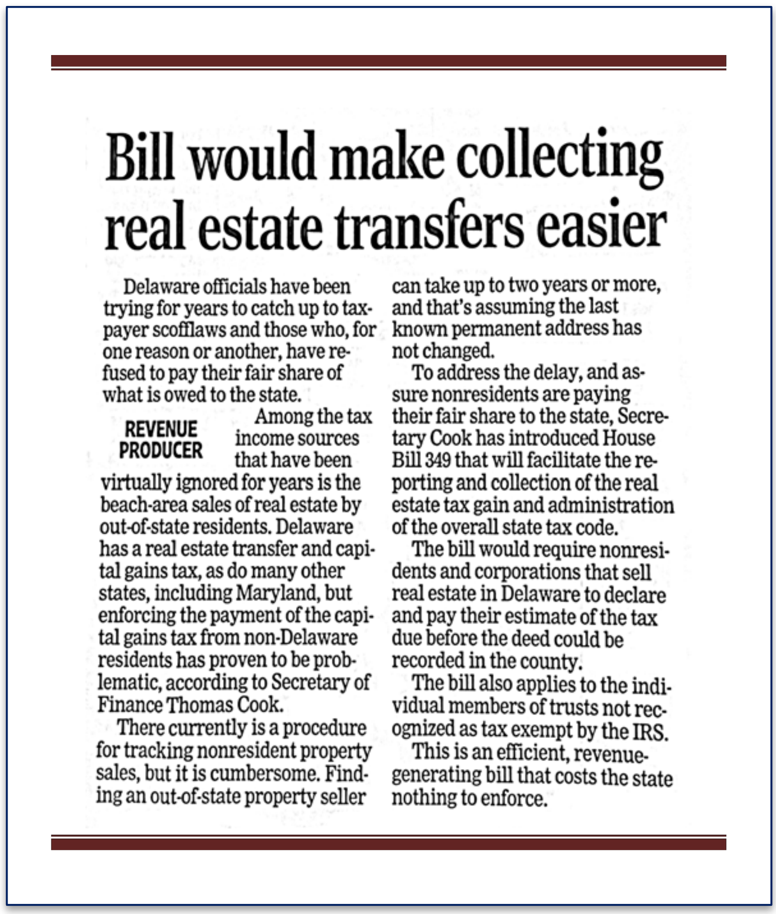
Division of Revenue

The Division of Revenue's (DOR) core mission revolves around three activities: tax processing, tax enforcement and policy formulation. Starting with its first-ever amnesty program and continuing with an upgraded audit presence, the Division's heightened enforcement efforts have contributed millions to the General Fund. Throughout this administration DOR has successfully leveraged technology to increase revenue collections without increasing the size of government.

Stabilizing the Fiscal Base:

- **$33.5 Million Collected via Tax Amnesty Program:** DOR administered a voluntary tax compliance initiative for individuals and businesses lasting from September 1, 2009 through October 30, 2009. During this time, those with outstanding tax liabilities were invited to pay their past-due taxes or file past-due tax returns free of penalty, interest, and collection fees, and without fear of litigation. In addition to helping close an unprecedented budget gap, the amnesty increased the overall number of individuals paying their fair share of taxes, which further stabilized the State's revenue base.

- **Improving Non-resident Tax Collections:** In June of 2010, DOF supported legislation to facilitate the reporting and collection of the capital gains tax, by nonresident persons, corporations or pass-through entities that sell real estate owned in Delaware. This legislation ensured that capital gains be declared and estimated tax due paid on the gain recognized from the sale before the deed is recorded. Although this legislation did not raise taxes, it gave the State a more effective means of collecting tax legally owed by non-residents of the State. As noted by the News Journal Editorial Board on Thursday, April 4, 2010 "This is an efficient, revenue generating bill that costs the state nothing to enforce."



Bill would make collecting real estate transfers easier

Delaware officials have been trying for years to catch up to taxpayer scofflaws and those who, for one reason or another, have refused to pay their fair share of what is owed to the state.

REVENUE PRODUCER

Among the tax income sources that have been virtually ignored for years is the beach-area sales of real estate by out-of-state residents. Delaware has a real estate transfer and capital gains tax, as do many other states, including Maryland, but enforcing the payment of the capital gains tax from non-Delaware residents has proven to be problematic, according to Secretary of Finance Thomas Cook.

There currently is a procedure for tracking nonresident property sales, but it is cumbersome. Finding an out-of-state property seller can take up to two years or more, and that's assuming the last known permanent address has not changed.

To address the delay, and assure nonresidents are paying their fair share to the state, Secretary Cook has introduced House Bill 349 that will facilitate the reporting and collection of the real estate tax gain and administration of the overall state tax code.

The bill would require nonresidents and corporations that sell real estate in Delaware to declare and pay their estimate of the tax due before the deed could be recorded in the county.

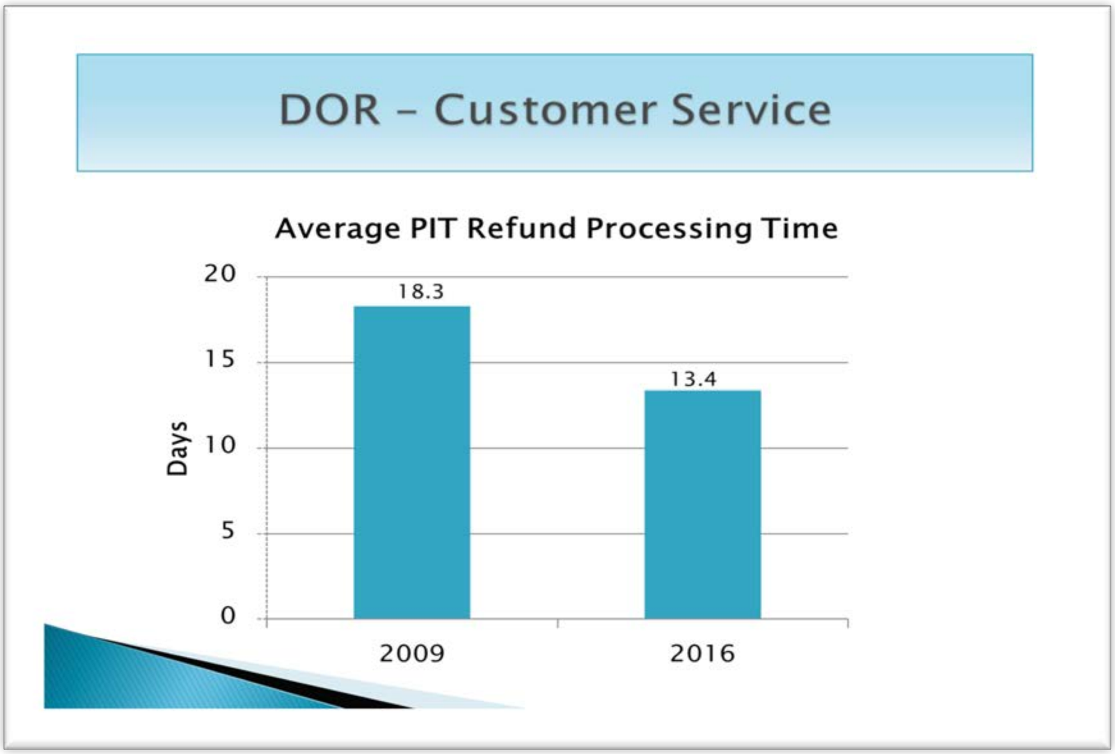
The bill also applies to the individual members of trusts not recognized as tax exempt by the IRS.

This is an efficient, revenue-generating bill that costs the state nothing to enforce.

Maximizing Resources and Opportunities

- **$369.3 Million Generated Through Enhanced Business Tax Collections from FY 2010 – FY 2016:** This amount sharply outperforms collections previous to FY 2010, which ranged from approximately $5 million to $10 million a year. Since FY 2010, DOR has prioritized audit efforts to target outstanding business and corporate liabilities. Through the addition of new audit programs, process enhancements, and two lead auditor positions. Looking beyond the obvious financial benefit, robust enforcement fulfills core tax administration principles as each dollar raised through the Division's enforcement program matches the dollar paid by those already in compliance (fairness) and can also equate to one fewer dollar needed from Delaware's businesses and families (competitiveness).

- **30% Reduction in Refund Processing Times:** In support of Delaware taxpayers, particularly during trying economic times, the Division was able to issue refunds quicker and more efficiently than ever before.



- **Leveraging Technology:** In January of 2013 the Division of Revenue implemented an Optical Read and Intelligent Character Recognition processes for paper returns. With an eye toward increased efficiency, not only did this process reduce manual labor efforts, but it improved internal controls and enriched the quality, amount, and speed of data captured. DOR also eliminated $250,000 in costs associated with outsourcing the forms keying and provided a $30,000 savings from maintenance and support on old imaging equipment.

The mailroom's modernization is a multi-phase project. The last phase will include additional benefits by speeding up the processing of corporate income tax returns, presently scheduled to be completed by December 31, 2016, and multiple other revenue types such as the realty transfer, alcoholic beverage, and public utility taxes, currently scheduled to be completed by June 30, 2017.

Electronic filing (e-file) capabilities continue to expand beyond the personal income tax and into the realm of business taxes:

Tax Type	Implemented	Returns as of Sept 2016	Percent E-file
Corporate Income	2014	37,800	53%
Partnership	2016	19,000	65%

E-filed returns require far less the manual effort to process. Prior to the above implementation dates, 100% of corporate and partnership returns were processed manually.

- **$9 million Saved from January through September of 2016:** Delaware, along with other states and the IRS, is the target of fraudulent tax refund scams that frequently involve the creation of phony W-2's. Through the first nine months of CY 2016 DOR stopped over 5,100 fraudulent returns and prevented the issuance of over $9 million in fraudulent refund requests. Not to be overlooked, the value of this effort in human terms is inestimable as it meant that thousands of Delawarean's were spared the frustration and anxiety that is all too common to victims of identity theft.

- **Cross-Agency Initiatives**: As State revenue needs change and modernize, DOR is a critical and agile team player. During FY 2011, in conjunction with DNREC, DOR implemented the bottle recycling fee and developed an enforcement program necessary to secure resources needed to implement curbside recycling across the State. From November of 2011 to December of 2014 the DOR used an auditor to visit approximately 2,400 sites, identifying $32.5million in bottle sales for which the fee had not been remitted and collecting $1.3 million in revenues

  During FY 2013, DOF worked with the Division of Professional Regulation to support and administer legislation that would permit the suspension of professional licenses for individuals owning over $1,000 in delinquent State taxes. Since enactment, over $500,000 in revenues have been collected as a result of this program.

Planning for the Future:

The Division's roadmap for the future includes initiatives that will augment DOR processes by:

- Scheduling a major upgrade of the imaging operating system that will ensure the Division can continue to process tax returns as filed and ensure that its enforcement and collections efforts are maintained at the high levels experienced over the past few years,
- Providing better real time information to on-site collections staff,
- Enhancing DOR outreach and communication efforts via auto-dial capabilities for inbound and outbound calling, and
- Reducing costs and eliminating waste from return mail.

Delaware Lottery

Through the marketing, distribution and sale of Lottery products, the Lottery Office is able to contribute over $200 million in annual revenues, while also distributing an additional $20 million in commissions and bonuses to its selling retailers which support local businesses and their communities. Maximizing sales from the Lottery's offerings decreases the tax burden on Delaware's businesses and helps to fund the delivery of government services to Delaware residents.

Stabilizing the Fiscal Base:

In FY 2009 legislation passed increasing the State's share of video lottery net proceeds from 34% to 43.5%. In the face of an unprecedented budget gap, this change generated in FY 2010 alone approximately $36 million in additional General Fund revenues.

Maximizing Resources and Opportunities

During this Administration, the Lottery has continued its long standing tradition of innovation. In the span of four years policymakers directed the Lottery to implement:

- A Sports Lottery and subsequent expansion to retail outlets,
- Table Games,
- Internet Gaming, and
- Charitable Gaming

Sports Lottery: Delaware's sports betting product was introduced in 2009 at the State's three casino outlets and generated $1.5 million in new revenue. By 2012, The Sports Lottery expanded from the racinos to include brick and mortar retailers, which were licensed and trained to begin selling for the 2012 pro-football season. This expansion was extremely successful with sales up 42% the first year. By 2016, the program had expanded to an additional 102 retail outlets and the Sports Lottery contributed $5.27 million in General Fund revenue. This program is forecasted to continue to grow through in FY17. The retail expansion was implemented with no increase in FTE's.

Sports Lottery Implementation & Expansion

FISCAL YEAR	# CASINOS	# RETAILERS	GENERAL FUND CONTRIBUTION (MM)
2010	3	0	$1.53
2011	3	0	$2.19
2012	3	0	$2.11
2013	3	32	$2.24
2014	3	60	$5.46
2015	3	82	$6.97
2016	3	102	$5.27

Table Games: As the State looked for ways to keep pace with mounting competition in the gaming arena, Table Games were authorized at the State's three casinos and implemented in late FY 2010. Since 2010 table games have contributed over $128 million in General Fund revenue and support hundreds of new jobs at Delaware's three casinos.

Charitable Gaming: In response to the call for limited video lottery in the State's fraternal and veterans' organizations, the Delaware Lottery and the Division of Gaming enforcement became responsible for overseeing the State's charitable gaming activities. There are 49 Charitable Gaming Organizations and over 486 machines in play statewide. No additional staffing resources were used to implement this new program, which has generated $4.5 m in General Fund revenues and over $1.7 million in Charitable Gaming Organizations donations back to local communities.

Internet Gaming: Late in October of 2013, the Delaware Lottery launched the first in the nation casino style iGaming platform, including peer to peer poker. Then, in February 2014, the Lottery made history again when the Governors of Delaware and Nevada signed the first of its kind Multi-State Internet Gaming Agreement. This Agreement allowed for “shared liquidity” of poker players from Delaware and Nevada (poker players from both states sitting at the same virtual table). The next advancement, a mobile application for casino iGaming, was introduced in May 2015.

Other Lottery Initiatives: In January 2013 the Lottery began Keno at select retail locations throughout the State. Keno has proved very popular and interest in the game continues to grow. In addition, the Lottery worked with DHSS and the casinos to implement a video lottery prize-intercept process for winners who are in arrears on child support orders.

In early 2016 the Lottery introduced its first $25 price-point instant game, Quarter Million Large. This game became the first instant game that the Lottery ever re-ordered and was a major contributor to the Lottery’s record FY2016 traditional sales, which were up 17% over FY2015.

<u>Planning for the Future</u>

The Delaware Lottery now oversees more public gaming products than any other lottery in the country, including traditional lottery instant and draw games; video lottery at the racinos; sports betting statewide; table games at the racinos; Keno statewide; Las Vegas style iGaming; and, limited video lottery statewide. The Delaware Lottery has a history of invention and flexibility that will continue for years to come.

Division of Accounting

Following its mission to provide expert accounting services and central support to State organizations, as well as consistent and reliable financial information to the public, the Division has instituted several programs to benefit Delaware. Its focus on best practices, transparency, and communication has allowed the agency to lead the charge for more-responsible accounting practices in government.

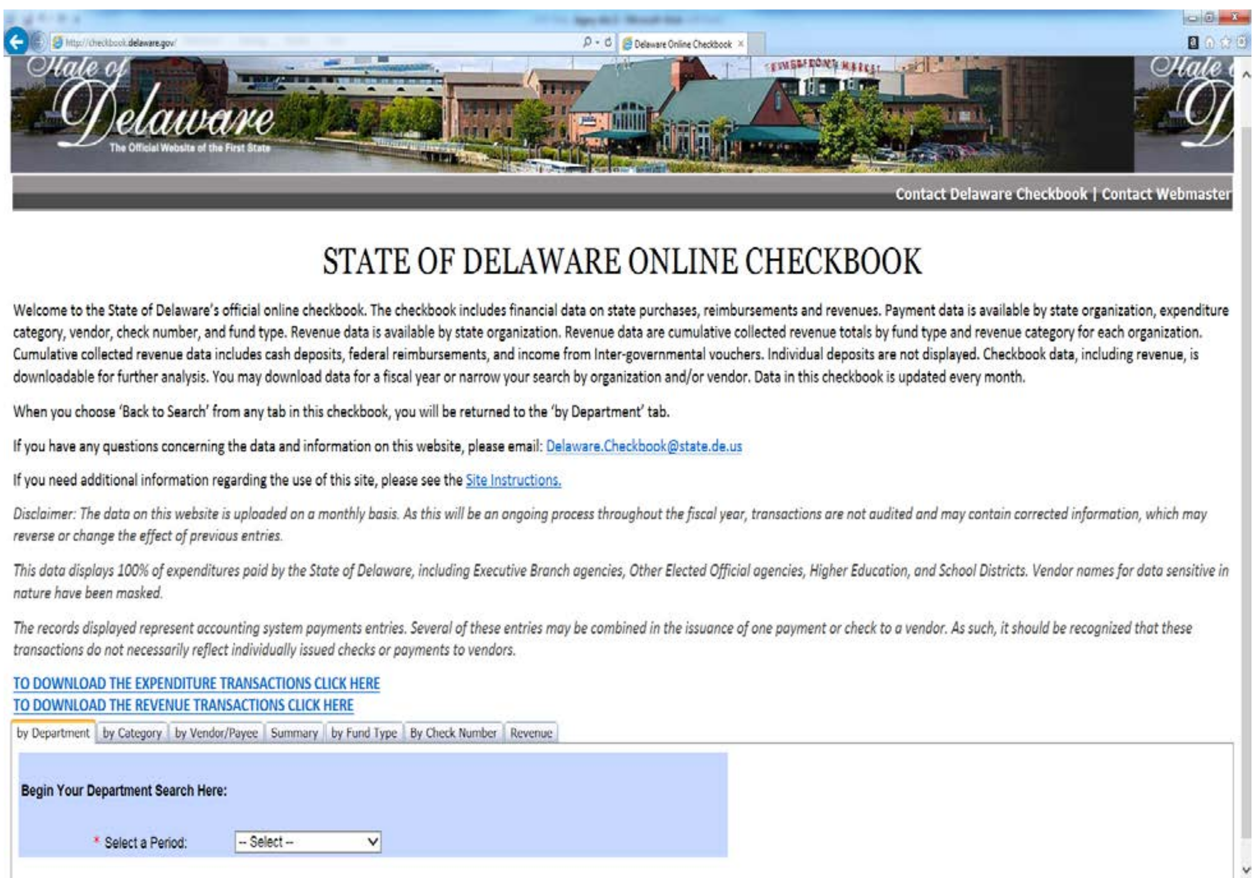
<u>Stabilizing the Fiscal Base:</u>

- **First State Financials (FSF):** In July of 2010 the State, led by the Division of Accounting, Implemented a comprehensive 21st century financial system that produces an accurate depiction of the State’s fiscal position and allows stakeholders to make informed decisions. Compared to its predecessor, FSF provides more transparency, the ability to leverage new technologies, and greater efficiencies going forward.

Maximizing Resources and Opportunities

- **Focus on Electronic Payment:** As a large organization, the State of Delaware issues hundreds of thousands of payments annually. In an effort to streamline government check paying activities the Accounting Office, through the use of improved technology, was able to move 1,400 vendors from check payment to ACH and realize a 46% reduction in the number of checks issued from 2009 (307,091 checks) to 2016 (163,027 checks).

- **Online Checkbook:** In collaboration with the Office of Management and Budget, DOA created and enhanced Delaware's Online Checkbook. This checkbook improves Delaware transparency by offering a free resource to the public that details financial data on State purchases, reimbursements and revenues. Information is updated monthly, which users can download for further analysis.



- **State of Delaware Transparency portal:** In partnership with the Government Information Center and the Delaware Office of Management and Budget, DOA created the State of Delaware Transparency portal to allow users to review, research, monitor, and interact with State government. This site not only provides links to financial information, such as the State's Online Checkbook and Employee Credit Card purchases, but it also serves as a central repository for State contracts, laws and research information, and the Delaware budget.

Planning for the Future

The Division of Accounting is already laying the foundation for the future as DOA staff:

- Design a significant upgrade to the States ERP Financial System,
- Modernize Pcard travel transactions via mobile app, and
- Work toward a new release of the State's online checkbook and PCard register that will allow for greater government transparency.

In Summary

This Administration was met with unprecedented fiscal and economic challenges. Under the leadership of the Secretary of Finance, Thomas J. Cook, the DOF acted with a persistent commitment to continue to deliver and improve services critical to Delaware's fiscal future. The Secretary of Finance's Office helped design policies that stabilized the State's revenue base and contributed to economic development; The Division of Revenue implemented enhanced technologies that improved customer service and redesigned audit processes that generated millions; The Lottery implemented 4 large-scale gaming products (Table Games, Sports, Charitable Gaming, I-Gaming) and expanded others; And the Division of Accounting paved the way for improved and more transparent government through its implementation of a brand new state-wide accounting system and by partnering with other agencies to make data more readily available to the public.

The accomplishments and sound economic and administrative principles that have guided the Markell Administration have laid a strong legacy foundation from which future Administrations may continue to thrive:

- **AAA Bond Rating:** Delaware has maintained a triple-A rating from each of the three major credit rating agencies, Moody's, S&P and Fitch, and is one of only seven states that have maintained these ratings since 2009.

- **GFOA Certificate of Achievement for Excellence in Financial Reporting**: The State of Delaware's Comprehensive Annual Financial Report earned this award for the twentieth consecutive year.

- **Enhanced, More Efficient Government:** The Department of Finance has taken on many new responsibilities, creatively shifted resources and employed many new technologies that make government more effective and efficient.