



**MINUTES
CASH MANAGEMENT REVIEW BOARD
SPECIAL MEETING OF JULY, 12, 2012
HOUSE COMMITTEE ROOM 1
STATE CAPITOL BUILDING**

The items listed on the Agenda are incorporated and considered to be a part of the minutes herein.

Treasurer Kennedy called the meeting to order. Laura Lapeze called the roll.

MEMBERS PRESENT:

Commissioner Paul Rainwater

Tom Cole, as designee for Legislative Auditor (Non-voting member)

OTHER PERSONS PRESENT:

Representative Chris Broadwater

Legislative Auditor Daryl Purpera

Richard McGimsey, Assistant Attorney General

Ginger Eppes, Collections Section Chief, Attorney General Office

Afranie Adamako, Statewide Reporting and Accounting Policy Director

Ron Henson, First Assistant State Treasurer

Jim Napper, Executive Counsel & Assistant State Treasurer

Laura Lapeze, CFO, State Treasury

After roll call, Treasurer Kennedy explained that he called this special meeting to discuss HB 741 (Act 500) of the 2012 Regular Session to commence efforts to formulate appropriate policies and procedures for its full implementation. Treasurer Kennedy turned the discussion over to Representative Broadwater.

Representative Broadwater explained that HB 741 established a two-year pilot program to sell, securitize or auction portions of the state's long-term delinquent accounts of not more than 25% of the aggregate face dollar amount of the obligation. There is currently in excess of one billion dollars outstanding in accounts receivable. This legislation provides the Cash Management Review Board with an opportunity to establish the necessary policies and procedures to obtain a return on the State's tax dollars.

Moving forward, discussions need to begin on how to use our internal capacity to put a valuation on these accounts receivable in an accurate, fair, and safe manner. In addition, consideration should be made to contact businesses in the private sector for their guidance and expertise in this process.

Calendar Year 2013 will be the trial balloon period for test cases to see what can be collected. Calendar Year 2014 will be the evaluation period to see what improvements can be made on collection methods from 2013 and to determine if any expansion is possible. At the end of 2014, a report will be made to the Joint Legislative Committee on the Budget, so they may determine the best use of state dollars from collections. If the program should prove ineffective, it will sunset in 2014.



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Commissioner Rainwater told the Cash Management Review Board that he and his staff will develop a report in the next sixty days defining a cost-effective approach to collecting debt owed to state government. This report will focus on reviewing the current laws, experiences of other states and return on investment of new policies and procedures. A primary consideration is that expenditures are minimal and collection efforts do not exceed collection returns.

Tom Cole offered assistance during this process. The Legislative Auditor's office currently has an on-going project on collection policies at various state agencies. The first report should be out in 2 to 3 months. Representative Broadwater asked if it were possible to determine the amounts that have been moved to the write-off category and is an obligation owed to the State. Additionally would it be necessary to amend and redefine existing rules to identify accounts in the write-off category to include long-term delinquent accounts to enlarge the possible pool of collection. Tom Cole offered that the Legislative Auditor would work to define and clarify these issues.

Assistant Attorney General Rick McGimsy stated that Louisiana lacks a centralized debt collection unit. The Attorney General has a collection unit in place that collects debt for 21 agencies. Other than the Department of Revenue's debts, there is no requirement in Louisiana for delinquent payments to be forwarded to the Attorney General's Office. The Attorney General's Office can only collect accounts that are sent to them. Mr. McGimsy will send all members a copy of their most recent Collection Unit Summary report.

Commissioner Rainwater re-iterated that cost effectiveness is necessary. Tom Cole noted that account receivables that are collectable should first be defined. Treasurer Kennedy suggested that once the amounts that are collectable have been quantified, another special meeting should be called to review the Division's report as well to commence efforts formulating the appropriate policies and procedures pursuant to HB 741.

In the next few weeks, a special meeting will be called inviting entities with expertise to attend and educate the Cash Management Review Board on the process of selling and collecting accounts receivables.

Having no further business, Treasurer Kennedy adjourned the meeting.