



**MINUTES
CASH MANAGEMENT REVIEW BOARD
SPECIAL MEETING OF APRIL 4, 2013
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:

Ray Stockstill, Deputy Commissioner, designee for Commissioner Kristy Nichols
Daryl Purpera, Legislative Auditor (non-voting member)
John Kennedy, State Treasurer

OTHER PERSONS PRESENT:

Representative Chris Broadwater
Keith Pigue, CGI Vice President, LA Account Manager
Brian Hamilton, CGI Senior Consultant
Ted London, CGI Vice President, Tax & Revenue
Rick McGimsy, Assistant Attorney General
Ron Henson, First Assistant State Treasurer
Jim Napper, Executive Counsel, State Treasury
Laura Lapeze, CFO, State Treasury

Ray Stockstill moved for approval of the minutes from the Special Meeting on October 12, 2012, seconded by Daryl Purpera, and without objection, the minutes were approved.

Treasurer Kennedy then turned the meeting over to CGI representatives Mr. Keith Pigue, Mr. Brian Hamilton and Mr. Ted London to discuss their report in response to the Division of Administration's RFP# 107P10-AR-2012 – Data Collection and Analysis of Long-Term Delinquent Accounts Receivables and Other State Debt. CGI had been selected by the Division of Administration to perform data collection analysis and provide recommendations on the collection of long-term delinquent accounts receivables and other state debt.

Mr. Hamilton explained that CGI's analysis included an estimated sale value of the portfolio; an estimated value of accounts if improved collections were implemented; a cleansed rank and priority of accounts based on collectability; identification of gaps between current practices and industry standard best practices; and recommended methodologies the State can use to enhance collection activity. The analysis had been conducted on six agencies: Department of Revenue, Department of Health and Hospitals, Department of Children and Family Services, Department of Transportation and Development, Department of Insurance and Delgado Community College. Long-term accounts receivables were defined as those 180 days or older, up to eight years for certain agencies.

A total of \$1.18 Billion was found to be outstanding on the six agencies, of which only \$2.9 Million, 0.25% of the total portfolio, is viable for sale. A significant portion of the portfolio was deemed not viable for sale due to large balances, small balances, or amounts due to Federal Partners or local municipalities.

CGI assumed a regular flow of new debts over the next five years in addition to the original \$1.18 Billion portfolio. CGI's analysis projects the current collection practices for long term debts from the existing inventory and new debts established over the next five years will yield \$18.1 Million for the six in-scope agencies. By taking into account the total outstanding debt on all state agencies and by continuing to use current collection practices, the estimated yield is \$25.9 Million over five years.



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Mr. Hamilton explained that by implementing industry standard collection best practices and enacting supporting legislation these totals could potentially rise \$113 Million to \$183 Million in the same five-year period, above the \$25.9 Million. The state would be able to retain \$97 Million to \$158 Million after reimbursing federal partners. CGI recommended the State should focus an action plan on improving collections and consider a targeted sale only after additional collection actions are pursued.

Mr. Hamilton explained that the State, with supporting legislation, is in a better position to collect these funds than outside collection agencies or debt buyers because key collection practices are not available to them since they do not have the same authority as the State. For example, automated bank levies with financial institution records match, automated wage garnishments of tax refund and payment offsets, and the ability to hold licenses are collection practices being used in other states with great success.

Treasurer Kennedy asked if the Louisiana Legislature decided to aggressively collect the money owed to the State and implemented the key collection practices recommended, how would this change CGI's estimates. Mr. London responded that the State could expect the estimate to be 25% higher.

Mr. Hamilton recommended the following best practices for the State to achieve benefits:

1. Establish a centralized collection operation
2. Implement a specialized, automated Collections Case Management Solution and other technologies along with improved business
3. Enact the necessary legislative authority to support expanded collections practices

Mr. McGimsy asked the CGI panel what their number one recommendation would be to increase collections. Mr. London responded that CGI believes administrative bank levies and wage garnishment authority to be their number one recommendation followed by mandatory referrals on a certain date from state agencies to a centralized collection agency, and lastly implementing financial institution records match to obtain debtor bank information from banks and other financial institutions.

Mr. London explained that establishing a centralized collection operation would enable economies of scale, standardized collection processes, policies and procedures including legal actions, having tools and data to significantly increase collections, and having a team that is solely focused on debt collections. The State could hire vendors to implement the software through a commission basis or benefits-funded basis. The State should have no out-of-pocket expenses for automated technology until additional revenues are collected that would not have been collected otherwise. From a cash-flow perspective, the State should not have to spend a dime until the end results are received from the selected vendors. The expenses would be made from the additional revenue that would not have otherwise been collected.

Having centralized collections would create an inventory with the size necessary to justify a robust and fully automated collections case management system. Centralized collections would also allow management reports which provide reliable and valuable statewide debt and collection information. A centralized debt collection model also allows for consistent and efficient management of payment agreements.

Mr. London explained that an often-overlooked key to a successful centralized collection operation is supporting legislation that grants specific authority to collect the debt using tools, techniques and approaches that have proven to be very successful by other States.

Treasurer Kennedy inquired the length of time it would take from implementation of Representative Broadwater's legislative bill, assuming its passage incorporating CGI's suggestions, to the first influx of new



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revenue. Mr. London responded that additional revenue could be certified within six months.

Lastly Mr. Hamilton noted it is important to identify a set of opportunities that could be implemented quickly in the State, called "quick wins," with little or no financial investment:

1. Financial institution records match
2. Data scrubbing to identify new debtor information in order to do a better match
3. Report all public debt information to a credit bureau and notify the debtor that it is going to be reported to the credit bureau prior to sending it
4. Review the text of all collection notices and consider new notices to encourage payment
5. Enhance outside collection agency process to drive more competition and better results

Treasurer Kennedy asked Representative Broadwater to give a synopsis of House Bill 629, co-authored by Representative James. House Bill 629 is an attempt to address many of the issues CGI identified in their report as opportunities for the State to improve our processes and collection efforts. The bill currently implements all of CGI's recommendations, with the exception of offsetting gaming and lottery winnings. The most significant recommendations include:

1. Creates a centralized collection debt unit
2. Mandates all state agencies turn all debts over 60 days after they become final
3. Mandates that this will go into effect no later than January 1, 2014

Having no further business to discuss, Treasurer Kennedy adjourned the meeting.