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

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

**MEMBERS PRESENT:**

John Kennedy, State Treasurer

Ben Huxen, Executive Counsel, designee for Commissioner Kristy Nichols

Daryl Purpera, Legislative Auditor (Non-voting member)

**OTHER PERSONS PRESENT:**

Representative Chris Broadwater

Tim Barfield, Secretary, Louisiana Department of Revenue

Jarrod Coniglio, Deputy Secretary, Louisiana Department of Revenue

B.J. Meche, Director, Office of Debt Recovery

Rick McGimsey, Assistant Attorney General

Byron Henderson, Collection Section Chief, Department of Justice

Stacey Landry, Assistant Collection Section Chief, Department of Justice

Afranie Adomako, Assistant Commissioner of Management & Finance, Division of Administration

Tom Cole, First Assistant Legislative Auditor, Legislative Auditor

Ernie Summerville, Director of Financial Audit Services, Legislative Auditor

Ron Henson, First Assistant State Treasurer

Jim Napper, Executive Counsel, State Treasurer

Laura Lapeze, State Treasury Fiscal Control Director

Marella Houghton, State Treasury Fiscal Control Manager

Ben Huxen moved for approval of the minutes for the July 24, 2014 meeting, seconded by Daryl Purpera, and without objection, the minutes were approved.

Treasurer Kennedy requested the Louisiana Department of Revenue (LDR) and the Attorney General’s (AG’s) Office report on the status of Act 399 of the 2013 Regular Legislative Session and the Office of Debt Recovery (ODR). Treasurer Kennedy turned the meeting over to Secretary Barfield.

Secretary Barfield opened with an update on the progress of ODR. The schedule is still on track to be fully operational and scalable within three years. ODR continues to see early impacts of focus on debt recovery. The Act requires a notice be sent to debtors 60 days before the debt can be referred to ODR for collection. The Department of Public Safety (DPS) received $60,000 within a few weeks of mailing the required 60-day notice of debt referral to ODR. Even though the debt did not run through ODR’s books, the agency is seeing the payment of debt faster. ODR has also seen more participation from agencies. A total of 11 agencies have completed and signed Phase 1 participation agreements, which is an increase from 5 since July 2014 and represents 90% of the state’s debt. ODR is about to commence significant enforcement activity with Department of Health & Hospitals (DHH), DPS, and LDR in January and expects a significant increase in collections the first quarter of this calendar year. Final debt from Department of Environmental Quality (DEQ), Department of Corrections (DOC), Louisiana Contractor Board, River Parish Community College, Delta Community College and Louisiana Workforce Commission (LWC) is scheduled to be placed with ODR by the end March.

Treasurer Kennedy asked about the status of Louisiana State University (LSU). Secretary Barfield indicated that ODR has been coordinating with the leadership and specific institutions such as LSU-Shreveport, LSU Health Sciences, LSU Pennington and various other institutions. ODR is in the process of signing up these institutions as participating agencies. Most of the institutions will have an existing debt collection process unique to each institution. Treasurer Kennedy asked if the LSU Board of Supervisors could tell its institutions to send all of their debt to ODR. Secretary Barfield responded by saying they have been impressed by the LSU System’s cooperation; however, ODR must work with each individual institution rather than the whole system because debt is at the facility or institution level. Secretary Barfield has not seen much resistance except resource and priority issues. Once the institutions see the capabilities and progress of ODR’s efforts, participation will increase.

Secretary Barfield stated that ODR has over $200 million in tax debt in its total debt inventory. Although tax debt is the easiest to deal with, it still has complexities. ODR wants to improve its non-tax debt inventory. The agency has collected $5 million with 14,000 accounts and is expecting millions more to come through the pipeline in the next 6 months.

The implementation of new tools are unique to each agency; however, these tools will add value to the collection process. The new tool being put into place is Vendor Payment Offset Program (VPOP), previously known as Deloitte-Links, or D-Links. If a vendor is owed payment from either the Federal or State government and owes the State a debt, ODR will be able to offset it using VPOP. The Federal offset is functional but not fully implemented. ODR has collected roughly $200,000 on an estimated 100 matches. The State offset is scheduled to go online in February of this year. ODR will have $200 million plus of debt being pushed into that system.

Secretary Barfield stated that the RFPs were issued, and the integrated case management system was awarded to Columbia Ultimate (RevQ), which is expected to begin execution in March 2015. The integrated case management system is automated, and the debt received interfaces with the debt registry at other departments, the tools and outside collection agencies. The system is programmed to deal with the priority of debt, which is currently done manually. Secretary Barfield stated that 6 agencies were awarded Outside Collection Agencies (OCAs). Placement of final and non-final debt with OCAs are scheduled to begin in April.

Several new tools are currently being implemented. A data sharing agreement with LWC is used to update employment information, which helps ODR find the debtor to garnish the debts owed. With cooperation from the Department of Children and Family Services (DCFS) and the gaming industry, another new tool is the gaming and lottery intercept system evaluation, which began in November 2014. Professional license suspension recommendation letters are scheduled to start by February. These letters will suspend licenses for individuals that owe debts. The State Tax Offset participation increased from 21 to 50 agencies with the new outreach program, which does not include the 56 agencies represented by the AG Office’s contracts. ODR is dealing with about 45% of all state agencies, so the process going forward will be slower due to the implementation of smaller agencies.

The integrated case management system will take a lot of pressure from the manual parts of the Financial Institution Data Match (FIDM) process. ODR continues FIDM outreach working with the banking association. There are 56 new banking institutions compared to last year. Through 3 quarterly cycles, ODR has matched 47,218 taxpayers with $232,071,095 in taxes due, and the levies initiated from June to August 2014 have generated $3,107,279 from 9,358 accounts.

Representative Broadwater asked about the status of the ODR office, the resources that have been dedicated, and the capacity of the office with receiving all of this new data. Secretary Barfield responded that there are 8 full-time equivalents working in the office right now. The entire cost to date has been paid out of LDR’s budget, some of which is additional money. The capacity of the office with receiving this new data will depend on the efficiency of the new integrated case management system. Their long-term goal at the end of the process is to have roughly 25 full-time equivalents, depending on the technology and the outside relationships with the AG’s Office and the OCAs to do the bulk of the work. ODR is focusing on what the state government can do in terms of establishing and utilizing the different tools, managing and collecting the debt, and also dealing with sister agencies. The biggest challenge has been the collection of information and the electronic connection between departments.

Representative Broadwater asked if ODR will see any ancillary benefits from the program in terms of assisting other departments in audit selection or data cleansing. Secretary Barfield responded that ODR has already seen benefits through their newly enhanced revenue initiatives, called enhanced compliance and enforcement initiative, which is focused on data analytics and through their audit intelligence group. Representative Broadwater asked about the involvement of municipalities or governmental entities that have interest in partnering in the future. Secretary Barfield responded that there are some entities looking to partner with ODR in the future; however, a number of them already participate in the State Tax Refund Offset Program. Legislation took out the mandate that local entities cooperate with ODR. Until ODR completes the other phases of this program, marketing to the local entities is not a priority. State debt is ODR’s first priority.

Representative Broadwater asked for clarification on the change in total debt inventory and outstanding accounts receivable. Secretary Barfield stated that our state tracks debt over 180 days, not over 60 days. The state has historically collected about $800 million in debt per year over 180 days. Around $600 million is typically all tax debt. The biggest issue is determining what debt is final. The state has around $2.2-2.4 billion in debt over 180 days, which is the net number after allowance for non-payment including settlements and lawsuits. A vast majority of collected debt is final debt. Of the agencies currently participating, ODR estimates to have an inventory of $400 million of final debt, mostly tax debt, in-house in six months. It is still too early in the process to understand the breakdown between final and non-final debt.

Representative Broadwater asked if it would be helpful to have legislation to streamline a singular approach on how to handle the various fines and appeal obligations to get to the final debt state. Mr. McGimsey responded by saying that most of the agency debt is administrative and some contractual. A fix to that problem might be that every agency use the same process and streamline debt into administrative procedures. Treasurer Kennedy asked what the difference is between administrative and other types of debt. Mr. McGimsey gave the example that if an individual owes an ethics fine, the Board of Ethics can notify the individual that a fine is due and schedule a hearing to assess the debt internally. On the other hand, if an individual runs over a Department of Transportation and Development (DOTD) sign, the fine due is made final through a damage claim in the court system. During the legislative session, there was opposition from stakeholder groups to streamline debt into administrative procedures. These groups felt using the administrative process to formalize debt would take away an individuals’ due process rights. A collective decision was made to remove this language from the bill.

Representative Broadwater asked for clarification on the implementation of the gaming offsets. The Director of ODR, Mr. Mesh, responded that ODR is currently pursuing the vendor RedMane, which is also the vendor of choice for DCFS. ODR is in contract negotiations with RedMane as the sole source agreement, and then ODR will have RedMane scope the project to see how much it will cost. After several meetings with RedMane and the Gaming Board, ODR is close to finalizing the business requirements of what is technically needed. The biggest issue ODR is facing is making sure the tax data and child-support information is not co-mingled.

Representative Broadwater asked about the license suspension letters and the data sets being used. What triggers the recommendations? Is that the result of the debt inventory, and specifically, are ethics fines included in the recommendations for license suspensions? Secretary Barfield responded that because the Board of Ethics has a contract with the AG’s Office debt flows to ODR through the AG’s Office. ODR is handling the license suspension letters on a case-by-case basis. Mr. Mesh stated that the Board of Ethics requires a 60-day letter before turning the debt over to ODR. The time has not elapsed since the Board of Ethics initiated the letter. The Board of Ethics will begin enforcement activity in the next couple of weeks. ODR will be able to collect those professional licenses at that time and send a letter or recommend license suspension through the different boards and commissions. Representative Broadwater recommended that the Board of Ethics look at using the license suspension tool and other specific tools. Mr. McGimsey stated that as soon as the AG’s Office gets any account from the Board of Ethics, it is entered into their data system where all the license applications are on file. When someone owes a debt and applies for a license, the AG’s Office is notified that the license is held up. Representative Broadwater asked about the process for existing licenses and not just new or renewing licenses. Mr. McGimsey stated that he would have to check and get back to Representative Broadwater.

Treasurer Kennedy asked Mr. McGimsey how much Board of Ethics debt is the AG’s Office collecting. The current inventory is 378 accounts, which was an increase of 143 for this fiscal year. They have collected a little over $83,000, which is $21,000 more than collected over previous fiscal years. They have about $400,000 of outstanding total debt the Board of Ethics has finalized through their internal administrative process. Treasurer Kennedy asked if those debtors’ names were run through ODR’s system to find out who has professional licenses. Secretary Barfield responded by saying that tool will not be available until the end of February or the beginning of March. Once available, this will be done.

Representative Broadwater asked if there is any way to estimate what would have been collected without the new tools in place, or what successes ODR has had because of the new tools in place. Secretary Barfield responded that they have issued levies on bank accounts in the past and have historically collected about $1,000,000. That effort is a highly speculative, time consuming, arduous, and expensive process. There are substitutions on what was levied and what could have been levied, but ODR believes that this is largely new money. Most of the tools are employed at the same time through the integrated system because ODR only wants to collect the debt once. If there are multiple matches, ODR has to manually choose which debt in which to apply the collection. This makes it difficult to predict whether the debt has ever been collected. With the use of FIDM in this tax year, they are looking at tens of thousands of potential matches, and with an automated system, ODR could get that money a lot easier.

Treasurer Kennedy asked Secretary Barfield what is meant by “Total of 3 quarterly cycles matching 47,218 tax payers to $232,071,095 in taxes due.” Secretary Barfield replied that there is a two-step process. The first step is to identify debtors on the list that have bank accounts. The second step is the levy being placed. Before the levy, you have to make sure that the debtor is not in bankruptcy or under a stay agreement. There are several mechanics to the process before the levy can actually be placed. Most debtors are in debt because they do not have enough money to meet all of their needs. If the debtor does have a bank account, it is usually not enough to cover the debt. With tens of thousands of matches, as you go through the process, money goes to other agencies and out-ranking entities. The integrated system will improve the process. ODR believes they will not receive all monies from every account but will get a significant portion. With FIDM, VPOP, the additional focus, and other tools, ODR has no doubt that they will see about $10,000,000 in new money added to the state budget. It will be difficult to say where the funds will come from. FIDM is not fully implemented; however, ODR should have a better scope at the end of the calendar year.

Treasurer Kennedy stated that he believes this institutionalized debt collection will show monetary rewards larger than imagined. Secretary Barfield agreed and noted that this is a long-term project with at least a three-year phase in, which is at least 25% quicker than what other states have done. Secretary Barfield requested a continued focus on this project. Quarterly meetings are good for ODR to be fully transparent. Treasurer Kennedy thanked those individuals that worked on this project for their commitment.

Having no further business to discuss, and without objection, Treasurer Kennedy adjourned the meeting.