

Expenditures made under the authority of this Act are subject to the provisions of Sections 1-18 as well as Title 39 of the Louisiana Revised Statutes.

BA-7 INFORMATION

Section 2 of Act 1 deals with the addition of federal, self-generated, dedicated and interagency transfer funds, and Section 73 C of Title 39 provides for changes from one program to another with the approval of the Division of Administration and the Joint Legislative Committee on the Budget (JLCB). Any transfers among these programs must comply with procedures outlined in Section 73 C of Title 39 and Policy and Procedure Memorandum 52 Revised. Section 17 of Act 1 requires that:

All BA-7 budget transactions, including relevant changes to performance information, submitted in accordance with this Act or any other provisions of law which require approval by the Joint Legislative Committee on the Budget or joint approval by the commissioner of administration and the Joint Legislative Committee on the Budget shall be submitted to the commissioner of administration, Joint Legislative Committee on the Budget and Legislative Fiscal Office a minimum of sixteen working days prior to consideration by the Joint Legislative Committee on the Budget. Each submission must include full justification of the transaction requested but submission in accordance with this deadline shall not be the sole determinant of whether the item is actually placed on the agenda for a hearing by the Joint Legislative Committee on the Budget. Transactions not submitted in accordance with the provisions of this Section shall only be considered by the Commissioner of Administration and Joint Legislative Committee on the Budget when extreme circumstances requiring immediate action exist.

In addition, Section 73 C of Title 39 states: "Such transfers shall include adjustment of any performance standards which are impacted by the transfer of funds."

The BA-7 form and questionnaire must be completed in detail for each mid-year budget adjustment requested. The revised BA-7 form (MS Excel file) and questionnaire (MS Word file) are available on the Office of Planning and Budget (OPB) website (<http://www.state.la.us/opb/index.htm>) under "PBB Forms and Guidelines - Budget Forms - Midyear Adjustment (BA-7) Forms." **If information, financial or performance, on the BA-7 form and questionnaire is insufficient to justify the request, the BA-7 request will be returned for further information.**

The Division of Administration will continue to take a firm position on justification and timely submission of BA-7s during Fiscal Year (FY) 2004-2005. The agency deadline for submission of BA-7s to the Division of Administration, the Legislative Fiscal Office and the JLCB is the LAST day for submission. BA-7s should be submitted as early as possible rather than on the deadline date. Submission of a BA-7 on the deadline date does not guarantee that the BA-7 will be on the next agenda of the JLCB. **If the BA-7 is not submitted in time for a thorough financial and performance analysis, it will not be placed on the agenda.** The schedule for submission of BA-7s requiring JLCB approval is included in the Appropriation Letter package. The person(s) from your agency most knowledgeable about items on the agenda of the JLCB **must be present** at these hearings to answer detailed questions.

In no case should actions that require BA-7 approval be undertaken prior to completion of the approval process. The Joint Legislative Committee on the Budget takes a hard-line approach to "after the fact" BA-7s. As a result, BA-7s that are submitted after expenditures are made pursuant to the BA-7 may be summarily denied.

As a reminder, the 2005 Regular Legislative Session will begin on the last Monday in April 2005 (April 25, 2005). The scheduling of a JLCB meeting is difficult at best during a legislative session. Therefore, it is recommended that you plan ahead and submit critical BA-7s prior to that time frame.

ADVANTAGE FINANCIAL SYSTEM (AFS)

The Office of Planning and Budget is not involved in the processing of Expenditure (EBs) and Revenue Budgets (RBs) in the accounting system (AFS). It is the agency's responsibility to ensure a balance between EBs and RBs. Review and subsequent approval or disapproval of the Appropriated Program transactions (APs) will continue as is currently done. For agencies under the Advantage Financial System (AFS), the Office of Planning and Budget utilizes the AFS report 2G54, "Appropriation Budget Reconciliation by Agency" and the AFS report 2G57 "Appropriation Summary Report by Agency" to monitor budgets for both revenue and expenditures. Review of these reports compares budgeted and actual amounts for appropriated Means of Financing and programs for accuracy, and conformity to Legislative and Executive intent. Noncompliance with Legislative and Executive intent may cause delay and/or rejection of warrants requested. Transfers from Acquisitions and Major Repairs categories or any transfers that result in increased recurring expenses utilizing one-time savings are to be avoided. FY 2005-2006 budget development is based on existing operating budget, at the budget development freeze date (some time in October). Be sure your spread is an accurate reflection of expenditure projections.

It is the agency's responsibility to allocate the budget from the "Budget Development Organization Unit" to the proper Organization Units and Object Codes. The Object Codes to be used are provided in the Uniform Chart of Accounts (available at: <http://www.state.la.us/OSRAP/library/Publications/revisedandreleasedppm/CHAP13.pdf>).

The deadline for spreading the budget is August 30, 2004. Failure to spread the budget by the deadline may result in that particular budget unit or program being unable to draw warrants or process Mid-Year Adjustments (BA-7s).

Failure to spread the budget into the proper object codes and organizations may result in unnecessary budgetary problems for the current and subsequent year.

In spreading the budget, you must take into account (i.e., budget for) all anticipated expenditures such as increases in cost to group insurance and retirement.

STATE EMPLOYEES GROUP BENEFITS

Section 8 D of Act 1 contains language regarding the cost assessment allocation proposed by the Office of Group Benefits. It states: "In the event that any cost assessment allocation proposed by the Office of Group Benefits becomes effective during FY 2004-2005, each budget unit contained in this Act shall pay out of its appropriation an amount no less than 75% of total premiums for all active employees and those retirees with Medicare in accordance with R.S. 42:851(A)(1) for the state basic health insurance indemnity program." Reflect the costs of Group Benefits in related benefits when you spread your budgets.

STATE RETIREMENT SYSTEMS

Section 8 E of Act 1 contains the following language that may impact the budget unit of each agency: "In the event that any cost allocation or increase adopted by the Joint Legislative Committee on Retirement as recommended by the Public Retirement Systems' Actuarial Committee becomes effective before or during FY 2004-2005, each budget unit shall pay out of its appropriation funds necessary to satisfy the requirements of such increase." For FY 2004-2005, the retirement rate is 17.8% for the Louisiana State Employees Retirement Systems and 15.5% for Teachers Retirement Systems. The adjustments necessary to fund these rates are included in the budget. Funding at those rates must remain when the budget is spread.

UNEMPLOYMENT COMPENSATION PAY

As you are aware, the state unemployment compensation program is self-insured. The Louisiana Department of Labor (DOL) processes and pays unemployment insurance liabilities filed by eligible former workers of the state. Your agency will be directly responsible for payment to the DOL.

It is vital that you pay these claims timely because DOL's assessment of interest and penalties on delinquent bills is severe. Under the provisions of R.S. 23:1543(A), the DOL assesses an interest fee of 1% per month, and then adds the interest amount to the unpaid balance and charges a 5% penalty on the sum of those two amounts. The penalty is progressive, meaning the amount for month two is 10%, month three is 15%, and so on to a maximum of 25% per month. For example, the first month of interest and penalty payment on an unpaid balance of \$745,000 is calculated as follows:

$\$745,000 \times .01 = \$7,450$; $(\$745,000 + \$7,450) \times .05 = \$37,623$ or total interest and penalties of \$45,073.

Based on the calculations above, the interest and penalties for the second month would be \$87,698 and for the third month, \$134,481.

TOBACCO SETTLEMENT

Agencies receiving funds from the Tobacco Settlement, as outlined in R.S. 39:98.1 through 98.6, inclusive of the Louisiana Fund, Education Excellence Fund, Health Excellence Fund, and the TOPS Fund, should be made aware that the statutory dedication amounts specified in Act 1 are estimates made by the Revenue Estimating Conference and are subject to change. Either unanticipated changes in tobacco consumption or revised interest earnings could cause these amounts to fluctuate up or down. The Tobacco Master Settlement Agreement requires that payments will be disbursed to the states in April. Participating agencies should exercise caution when making plans to expend these funds. Act 21 of the 2004 Regular Legislative Session allows actual revenue to be allocated to the appropriate entities. Agencies should contact OPB in order to properly account for funds being expended.

PERFORMANCE ADJUSTMENTS

In order to ensure adoption of the most accurate expectations of agency performance within the state budget, performance data contained in the adopted budget may, under certain circumstances, be adjusted at the beginning of the fiscal year. As indicated in Title 39:87.2C, adjustments to objectives, performance indicators, and performance standards may be requested under the following circumstances:

- An agency may request adjustment of key and supporting objectives, performance indicators, and performance standards as required to adjust for changes made in the appropriation bill containing the appropriation for the agency after introduction of the bill. The performance standards proposed in the general operating appropriation bill (HB 1), as introduced, are based on the governor's executive budget recommendations. During the legislative process, the performance impacts of amendments to HB 1 may not have been addressed. As a result, some enacted performance objectives, indicators, and standards may not reflect changes between the executive budget recommendation and the appropriation enacted. Agencies should use the performance adjustment request process to adjust key and supporting objectives, performance indicators, and performance standards to bring them in line with changes—both increases and decreases—made in HB 1 after introduction of the bill.
- An agency may request adjustment of supporting objectives, performance indicators, and performance standards in the Executive Budget Supporting Document to correct technical errors (such as typographical errors).
- An agency may request adjustment of key or supporting objectives, performance indicators, and performance standards to incorporate the impact of legislation enacted during the most recent regular session or an extraordinary session occurring after the regular session, or to incorporate the impact of any change in federal rule, regulation, or law that became effective no earlier than one month prior to submission of the executive budget.
- An agency may have been directed by specific language in the appropriations act to submit new or adjusted performance information by August 15, 2004.

Further, R.S. 39:2C.(1)(b) authorizes the Division of Administration to submit recommendations to the JLCB requesting adjustments to the objectives, performance indicators, and performance standards of any executive branch agency by September 1. If an agency has a performance issue that does not fall under the statutory criteria for performance adjustments, the agency may submit a performance adjustment request to the OPB by August 15.

The OPB urges agencies to take advantage of the opportunities provided under Title 39 to request appropriate performance adjustments. To do so, submit complete, signed, original hard copy requests for adjustments to objectives, performance indicators, and/or performance standards to the OPB, the JLCB Performance Review Subcommittee, and the Legislative Fiscal Office, using the Performance Adjustment Request form, no later than 5:00 pm, Monday, August 16, 2004. (Since August 15, 2004, falls on a Sunday, the deadline for submission of performance adjustments has been extended to Monday, August 16, 2004.) The Performance Adjustment Request form (MS Excel file) and guidelines (MS Word file) have been updated and are available on the OPB website (<http://www.state.la.us/opb>) under "PBB Forms & Guidelines." All requested adjustments are subject to review and approval by both the OPB and the JLCB (or a subcommittee thereof). The JLCB generally hears performance standard adjustment requests in September. The person(s) from your agency most knowledgeable about performance items on the agenda of the JLCB meeting must be present at this meeting to answer detailed questions.

POSITION CONTROL

It is the intention of the Division of Administration that only employees in the permanent state work force be paid from expenditure codes 2100, 2130, and 5200 in accordance with the Advantage Financial System's

uniform chart of accounts definitions, "2100 Salaries - Classified-Regular: Compensation paid to full-time or part-time classified employees hired on a continuing basis," "2130 Salaries-Unclassified-Regular: Compensation paid to full-time or part-time unclassified employees hired on a continuing basis," and "5200 AUX Programs-Salaries: Salaries that are related to auxiliary programs." Therefore, payments for salaries from these expenditure codes for employees in the classified and unclassified state service are limited to those employees with permanent or probational status. Any changes in positions, in either number or classification, are subject to the provisions of Title 39, Section 84. Furthermore, all requests for personnel action submitted to State Civil Service should reflect the proper expenditure code for the position affected.

It is imperative that you maintain the ISIS HR system with regard to the appropriate salary code, because **OPB will use the HR system to examine your filled positions and vacancies in FY 2004-2005 and determine the salary recommendations for FY 2005-2006.** You are to adjust the position count in the ISIS HR System in accordance with this letter of notification. Non-ISIS agencies (DOTD and HIED) must complete spreadsheets provided by OPB to account for positions in their agencies.

All positions, other than those paid out of Other Compensation and Other Charges expenditure categories, should be placed in the authorized Table of Organization (T.O.). See the criteria for Other Charges positions below.

Criteria for Other Charges positions

1. The position is authorized to be occupied for one year or less.
2. The agency does not have the authority to hire and terminate the employee.
3. The position is seasonal but not permanent.
4. The position has legislative authority to be excluded from the authorized T.O.

All other positions should be placed in the authorized Table of Organization.

All positions in which the department has the authority to employ and terminate the individuals and the positions are designated for more than one (1) year should be placed in the authorized T.O.

CONTINGENCY APPROPRIATIONS

This notification represents your total appropriated budget level for FY 2004-2005. However, the following departments and agencies has contingency appropriations:

1. Department of Health and Hospitals - Medical Vendor Payments
2. Department of Corrections - Administration

Should this contingency appropriation become effective you will be notified as to the procedures.

COMPLETE APPROPRIATION LETTER PACKAGE

The following documents are included in the entire package of the Appropriation Letter. Please ensure that the proper personnel acquire all of these documents. These documents can be accessed by email or OPB website.

Page 7

General Appropriation Letter

July 16, 2004

1. Appropriation Letter
2. Schedule for BA-7s requiring JLCB approval
3. Risk Management Premium notice
4. Act 1, the General Operating Appropriation Act. You should review for any special language and contingencies affecting appropriations and gubernatorial vetoes.
5. AFS Documents – AP, RB, EB
6. Legislative Tracking PDF
7. Performance Standards as initially appropriated in Act 1
8. Performance Adjustment Request Form
9. Performance Adjustment Request Guidelines
10. Contingency Appropriation, if applicable

If you have any questions regarding your appropriation or need additional information, please contact your OPB budget analyst.

Sincerely,

Ray L. Stockstill
Director

RLS/ksr

Attachments