Expenditures made under the authority of Act 45 of the 2014 Regular Session of the Louisiana Legislature are subject to the provisions of the Preamble of Act 45 as well as Title 39 of the Louisiana Revised Statutes (LRS). The State General Fund (Direct) savings of at least $75,659,793 included in the preamble of Act 15 Section 18(F) is not included on page one of the appropriation letters. The allocation per agency is to be determined through the Commissioner's Memo and mid-year budget adjustments (BA-7s).

**MID-YEAR ADJUSTMENTS (BA-7s)**

Section 3 of Act 45 deals with the addition of federal, fees and self-generated, statutory dedication and interagency transfer funds and Section 73C of Title 39 provides for transfers from one program to another with the approval of the Division of Administration and the Joint Legislative Committee on the Budget (JLCB). Transfers among appropriated programs also must comply with procedures outlined in Policy and Procedure Memorandum 52 Revised. Any BA-7 request to increase Fees and Self-generated Revenues or Statutory Dedications must have the revenues recognized by the Revenue Estimate Conference (REC) according to Act 419 of the 2013 Regular Legislative Session.

The BA-7 form has been revised. Please use the revised BA-7 form and questionnaire to request a mid-year appropriation adjustment. The BA-7 form (MS Excel file) and questionnaire (MS Word file) are available on the Office of Planning and Budget (OPB) website under "**Forms, Guidelines and Memos – Budget Forms and Instructions – Mid-year Adjustment (BA-7) Forms.**".

BA-7 requests requiring JLCB approval must be submitted to the OPB, JLCB, and Legislative Fiscal Office a minimum of sixteen (16) working days prior to consideration by the JLCB (see Preamble Section 17.A. of Act 15 of the 2014 Regular Session of the Louisiana Legislature). This Appropriation Letter package includes the schedule for submission of BA-7s requiring JLCB approval. 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.

The Division of Administration takes a firm position on timely submission and full justification of BA-7 requests. The agency deadline noted on the JLCB BA-7 schedule is the last possible day for submission. However, submission of a BA-7 on the deadline date does not guarantee that the BA-7 will be on the agenda for the next JLCB meeting. To allow sufficient time for a thorough analysis by the OPB, your BA-7 requests should be submitted as early as possible rather than on the deadline date. As a reminder, the 2015 Regular Legislative Session will begin on Monday, April 13, 2015. The scheduling of a JLCB meeting is difficult at best during a legislative session. Therefore, it is recommended that you plan ahead and submit BA-7s prior to that time frame. BA-7s that are not submitted in accordance with scheduled deadlines will be considered only when extreme circumstances requiring immediate action exist.

The OPB will not accept a request when the BA-7 form and/or questionnaire is incomplete. If information (financial or performance) on the BA-7 form and questionnaire is insufficient to justify the request, the OPB will return the BA-7 request for further information. If a BA-7 is not submitted in time for a thorough financial and performance analysis, it will not, except when the OPB determines that extreme circumstances requiring immediate action exist, be placed on the JLCB agenda.

In no case should actions that require BA-7 approval be undertaken prior to completion of the approval process**.** The Division of Administration and the JLCB take 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.

## APPROPRIATION ACCOUNTABILITY

It is each agency's responsibility to allocate the Appropriated Program (AP) from the "Budget Development Organization Unit" to the proper Organization Units and Object Codes. Object codes are provided in the Uniform Chart of Accounts. **The deadline for spreading your budget at the object code level is August 12, 2014.** Failure to spread the budget by the deadline may render a particular budget unit or program unable to draw warrants or process mid-year adjustments.

Be sure your initial budget spread is an accurate reflection of the expenditure category allocations determined during FY 2014-2015 budget development. Movement among expenditure categories is not allowed for the initial budget spread. Be prepared to explain and justify significant deviations from those expenditure category allocations.

The OPB will review and take action on all Appropriation Input (APs), Expenditure Budget transactions (EBs) and Revenue Budget transactions (RBs) in the Advantage Financial System (AFS). All proposed adjustments of APs, EBs, and RBs must be explained in detail (to the object code level) and justified prior to OPB approval. This includes your initial budget spread as well as subsequent realignments during the fiscal year. APs, EBs, and RBs must be in agreement. The forms and instructions are located on the OPB website.

Incomplete or insufficiently justified proposals will be returned without action. You should avoid transfers that use one-time savings to fund recurring expenses. Further, any transfer of funding from the Salaries category may effectively result in a subsequent reduction of positions associated with that funding. Failure to spread or realign the budget into the proper object codes and organizations may cause unnecessary budgetary problems—delays in transaction processing in the current year as well as complications in analysis and development of the ensuing fiscal year budget.

## AGENCY COST ALLOCATIONS FOR STATE EMPLOYEES GROUP BENEFITS AND STATE RETIREMENT SYSTEMS

Section 8 of the Preamble of Act 15 of the 2014 Regular Session contains language regarding the cost assessment allocation proposed by the Office of Group Benefits and language that may impact the budget unit of each agency regarding the state retirement allocation.

Per Section 8.D. of the Preamble of Act 15, “In the event that any cost assessment allocation proposed by the Office of Group Benefits becomes effective during Fiscal Year 2014-2015, 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(D)(1) for the state basic health insurance indemnity program.”

Per Section 8.E. of the Preamble of Act 15, "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 Fiscal Year 2014-2015, each budget unit shall pay out of its appropriation funds necessary to satisfy the requirements of such increase."

The retirement rates for FY 2014-2015 are:

Louisiana State Employees Retirement System (LASERS),

- Rank and File, 37.0%
- Judges and Court Officers, 41.5%
- Legislators, 41.2%
- Corrections Primary, 39.9%
- Corrections Secondary, 40.8%
- Wildlife, 46.9%
- Peace Officers, 41.5%
- Alcohol and Tobacco, 44.8%
- Bridge Police, 35.3%
- Judges (Act 992 of 2010) 36.2%
- Hazardous Duty (Act 992 of 2010), 35.6%

Teachers Retirement System of Louisiana (TRSL),

- Regular Teachers, 28.0%
- Higher Education, 26.4%
- Lunch Plan A, 33.1%
- Lunch Plan B, 30.1%

Louisiana State Police Retirement System (LSPRS),

- Regular, 75.3%

Reflect the costs of these allocations when you spread your budget.

**UNEMPLOYMENT COMPENSATION PAY**

The state unemployment compensation program is self-insured. The Louisiana Workforce Commission (LWC) processes and pays unemployment insurance liabilities filed by eligible former workers of the state. Your agency is directly responsible for payment to the LWC.

It is vital that you pay these claims timely because the LWC's assessment of interest and penalties on delinquent bills is severe. Under the provisions of R.S. 23:1543(A), the LWC 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%; for month three, 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 X .01 = $7,450; ($745,000 + $7,450) X .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.

## 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. The OPB urges agencies to take advantage of the opportunities provided under R.S. 39:87.2C to request appropriate performance adjustments. **To do so, submit complete, signed, original hard copy requests (using the Performance Adjustment Request form) to OPB, JLCB, and the Legislative Fiscal Office, no later than 5:00 PM, Friday, August 15, 2014.**

The Performance Adjustment Request form (MS Excel file) and guidelines (MS Word file) are available on the OPB website at http://www.doa.louisiana.gov/opb/pbb/par.htm.

All requested adjustments are subject to review and approval by both the OPB and the JLCB. 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

Only employees in the permanent state work force should be paid from expenditure codes 2100, 2130, and/or 5200, in accordance with AFS 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 probationary 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.

To the extent that you have position information in the ISIS HR system, it is imperative that you maintain that information with regard to the appropriate salary code, because OPB will use the ISIS HR system to examine your filled positions and vacancies in FY 2014-2015 and determine the salary recommendations for FY 2015-2016.

All positions, other than those paid out of Other Compensation expenditure category, should be placed in the authorized Table of Organization (T.O.). and Authorized Other Charges. Positions in the Other

Compensation expenditure category should be placed in non-T.O. FTE (full time equivalent). Authorized other charges positions must conform to the criteria below:

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 positions for 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. If you have reason to deviate from this policy, please contact your OPB budget analyst.

**CONTENTS OF COMPLETE APPROPRIATION LETTER PACKAGE**

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

1. Letter of Ancillary Appropriation
2. Schedule for BA-7s requiring JLCB approval
3. Act 45 of the 2014 Regular Session of the Legislature should be reviewed for any special language affecting appropriations and gubernatorial vetoes.
4. AFS Documents – AP, RB, EB
5. Legislative Tracking
6. Performance Standards as initially appropriated in Act 45 of the 2014 Regular Session of the Legislature
7. Performance Adjustment Request Form
8. Performance Adjustment Request Guidelines

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

Sincerely,

Barry R. Dussé
Director

BRD:ms

Attachments