

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – N

DATE: December 6-8, 2016

SUBJECT: BOR Policy 5:21 – System Collection Policy (Emergency Approval)

At the October 2016 Board meeting, changes to the System Collection Policy were up for emergency approval. The policy changes were premised on a signed Memorandum of Agreement with the Commissioner of the Bureau of Administration for the Obligation Recovery Center (ORC). The language regarding the revocation of motor vehicle registration or driver’s license revocation for student debt had been removed. The Board questioned the ability of the state to agree to this given the requirements in the law passed in 2015. Following the Board meeting, the Bureau of Administration revoked the agreement saying that they had not paid close enough attention to the language in the agreement. They have provided us a new MOU that would make student debt subject to revocation of driver’s licenses as well as motor vehicle registration.

Rules were recently approved that will set the dollar limit for the revocation of motor vehicle registration, motorcycle registration, boat registration or driver license at \$1,000 or more, and \$50 for any hunting license, fishing license, state park permit, or camping.

The law provides that each agency will decide what debt is referred to ORC. Most agencies are submitting all outstanding debt, regardless of age and over \$25.00. The universities have been actively collecting student debt using collection agencies as required in Board policy. As we consider a transition to ORC, we need to resolve two issues: 1) what level of debt must be submitted to ORC, and 2) what will happen with the debt that has already been through two collection agencies or is less than \$250.00. The Board office recently met with the Board of Finance to get a reaction to these two issues. The Board of Finance decides what debt can be written-off. The Board of Finance, chaired by Tony Venhuizen, did not take formal action, but signaled support for writing off accounts that have been through two collection agencies. The Board of Finance also indicated support for writing off accounts less than \$250.00 that are not referred to ORC as long as the campuses could document due diligence in their collection efforts. This will provide the universities with some discretion on whether or not an account less than \$250.00 would go to ORC for collection.

Given the support from the Board of Finance and the finalization of the rules, the recommendation is to approve the changes to BOR policy 5:21 which will require all future

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DRAFT MOTION 20161206_7-N: I move emergency approval of the revisions to BOR Policy 5:21 as presented.

accounts of \$250.00 or more to be referred to the Obligation Recovery Center after in-house collection efforts are exhausted. As part of the transition, the universities will submit write-offs to the Board of Finance for accounts from 2011 and earlier that have been to two collection agencies or are less than \$250.00. Accounts from 2012 forward that are \$250 or more will be sent to ORC. For all years, the universities will have discretion on whether to submit accounts that are less than \$250.00 to the Obligation Recovery Center for collection or to the Board of Finance for write-off. Accounts in repayment will remain at the university or the current collection agency.

SOUTH DAKOTA BOARD OF REGENTS

Policy Manual

SUBJECT: System Collection Policy

NUMBER: 5:21

1. System Collection Procedure

The following system collection procedure shall be used for student, employee, and customer receivables including, but not limited to, tuition and fees, institutional student loans, traffic fines, library fines, daycare, housing fines, student health and other student charges of whatever kind or character; except that student obligations arising from participation in federal student financial aid programs shall be collected in the manner specified under federal regulation.

- A. A commercial or vendor account shall become delinquent 45 days after the established due date. A student account shall become delinquent when a balance remains after the established deadlines. The debtor shall be informed that if the account is not satisfied in full or appropriate arrangements made by the due date, the account shall be handled as follows:
- 1) All student accounts with an accounts receivable (AR) balance of ~~\$25050~~ or more shall have a HOLD placed on them as soon as they become delinquent. The hold will stop a student from registering, adding or dropping classes, or obtaining an official transcript from the institution. The HOLD shall not be removed until the account is satisfied in full. The institution recognizing the receivable may exercise discretion and override the hold upon consultation with the other institution.
 - 2) For all commercial or vendor accounts that become delinquent, the university shall discontinue their services until accounts are paid in full.
- B. Collection of student, commercial or vendor accounts shall proceed according to the following schedule:
- 1) Accounts less than ~~\$2501,000~~:
 - a. Accounts that are less than ~~\$2501,000~~ shall be handled using in-house collection procedures, which shall consist of a minimum of three contacts to the debtor, with at least two of them being in writing. Debtors shall be responsible for all collection fees incurred where permitted under law.

- b. When in-house collection efforts are exhausted, the account may be referred ~~to a collection agency under contract with the institution or~~ to the State of South Dakota's Obligation Recovery Center.
 - c. When collection efforts are exhausted and the account is at least two years delinquent, the account will be submitted to the Board of Finance to be written off in accordance with procedures established by the Board of Finance.
 - d. The HOLD may remain on a debtor's record even after the account is approved for write-off, which will stop the debtor from receiving services from the institution in the future.
- 2) Accounts that are ~~\$2501,000~~ or more:
- a. Accounts that are ~~\$2501,000~~ or more shall be handled using in-house collection procedures, which shall consist of a minimum of three contacts to the debtor, with at least two of them being in writing, one by registered mail. The collection process on accounts ~~\$2501,000~~ or more shall be completed within ~~180~~120 days from the date the account became delinquent. Debtors shall be responsible for all collection fees incurred where permitted under law.
 - b. When an account is not in repayment or ~~When~~ in-house collection efforts are exhausted, the account shall be referred to the State of South Dakota's Obligation Recovery Center for collection efforts.
 - c. When the collection efforts by the Obligation Recovery Center have been are exhausted and the debt has been referred back to the university, it will ~~account is at least two years delinquent, the account will~~ be submitted to the Board of Finance for write-off in accordance with procedures established by the Board of Finance.
 - d. The HOLD shall remain on a debtor's record even after the account is written-off, which shall stop the debtor from receiving services from the institution until the debt is satisfied.
- C. Employee debts to their institutions may be satisfied through voluntary or involuntary deductions from salary, or they may be referred to a collection agency.
- 1) Employees shall be billed for debts to their employers in the same manner as others who owe monies to the employing institution.
 - 2) Where employees fail to respond to demands for payment, an institution may refer the matter to a collection agency, or it may:

- a. Notify the debtor-employee that his or her monthly salary shall be reduced to cover the amount owing plus interest beginning with the salary earned during the month following that in which the notice is sent.
 - b. The notice sent to debtor-employees shall fix a time for an informal meeting between the institution's chief financial officer or that person's designee and the employee to discuss the debt and its resolution.
 - i. The meeting shall be scheduled no later than ten working days prior to the date of the first deduction.
 - c. If the debtor-employee contacts the institution in response to such notice, the institution may work out mutually acceptable terms for the use of salary deductions to repay all sums owing.
 - d. If the debtor-employee fails to respond to the notice, or if no mutually acceptable agreement is reached, the institution may recoup its claim from the debtor-employee's salary beginning with the installment payable for services provided during the month following that in which the notice was sent.
 - e. Deduction from salary may be in such amounts needed to satisfy the debtor-employee's obligations to the institution; provided
 - i. That the deductions from salary shall comply with the priorities and limitations on deductions from wages established by SDCL chapter 21-18.
- 3) Debtor-employees may challenge such deductions under grievance procedures established in Board policy or, where pertinent, collective bargaining agreements.
- a. If an employee succeeds in showing the deduction to have been improper, the institution shall make a lump sum payment of the amount deducted, plus interest from the time of the deduction.
- D. Late fees established by the Board may be assessed against delinquent accounts or Institutions may assess interest may be assessed on delinquent accounts at the category F rate specified in SDCL 54-3-16.

SOURCE: BOR, December 1995; May 1996; June 2001; May 2003; March 2006; December 2010; May 2012; December 2015; October—December 2016.