

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – G

DATE: October 4-6, 2016

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

At the December 2015 board meeting, changes to the System Collection Policy were up for a second reading. The campuses wanted to increase the dollar amount of accounts that had to be submitted to the Obligation Recovery Center from \$100 to \$500. The increase to \$500 was driven by concerns about the Obligation Recovery Center’s ability to deny/revoke driver’s licenses and other state permits and licenses for people who owe the state debt. The universities felt more comfortable with that type of action for accounts of \$500 or more. While the universities had been using collection agencies on debt of \$100 or more, they did not want former students to lose their driving privileges for a debt less than \$500. The board also had concerns about the heavy-handed approach of revoking driver’s licenses, and, therefore, set the threshold at \$1,000 for delinquent student accounts that would be turned over to the Obligation Recovery Center (ORC).

Since December we have been working with the Bureau of Finance and Management (BFM) and ORC concerning delinquent accounts and license revocation, and we have come to an understanding that BOR student account debt would not be subject to driver’s license revocation. The universities have since revisited the System Collection policy and would now like to change the amount to \$250.00. This would allow the universities to use in-house collection efforts on accounts less than \$250, and utilize the Obligation Recovery Center on all accounts over \$250.00. This is also the dollar amount that will be used as the threshold for writing-off debt when submitting it to the Board of Finance, provided in-house collection efforts are exhausted. The Business Affairs Council (BAC) concurs with the new threshold.

A second proposed change to the policy is the level at which an AR HOLD would be placed on a student’s delinquent account. The current policy sets the level at \$50. The proposed change is to increase this level to \$250. The current hold stops the student from registering for courses or changing their schedule. Allowing students to register and pay the balance the next term along with their current tuition and fees is a reasonable approach. Most of the AR HOLDS less than \$250 are due to unpaid parking tickets, library fines, or room damages. The lower limit causes additional time and effort on the part of the faculty (multiple advising sessions) and creates a barrier to enrollment and an inconvenience for students.

DRAFT MOTION 20161004_7-G: I move emergency approval of the revision to BOR Policy 5:21 as presented.

Attachment I shows the tracked changes to the policy. Emergency approval of the policy change is being requested as the universities would like to start submitting delinquent accounts to ORC at the \$250.00 level.

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 ~~\$2504,000~~:
 - a. Accounts that are less than ~~\$2504,000~~ 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+20~~ days from the date the account became delinquent. Debtors shall be responsible for all collection fees incurred where permitted under law.
 - b. When in-house collection efforts are exhausted or not in a payment plan, the account shall be referred to the State of South Dakota's Obligation Recovery Center for collection efforts.
 - 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 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. Institutions may assess interest on delinquent accounts at the category F 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 2016.