

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

**REVISED
AGENDA ITEM: 10 – C**

DATE: June 27-29, 2017

SUBJECT: Student Accounts Receivable Report

A report of outstanding student receivables is presented to the Board annually. While debt can be taken off the books, the debt remains on the students’ record indefinitely. It should be noted that the receivables represent less than 1% of total student revenues for years FY14 through FY17. According to a NACUBO 2010 survey, the benchmark for bad debt collections runs at 3.5% nationally.

There are a number of reasons a student might owe the institution money and the account would go into collection. Not all students have their financial aid in place when they start school. Students may be admitted assuming they will have sufficient aid or family contribution and in the end they are short. Students who pay a majority of their bill are usually retained, but if they do not return the next term, they may end up with an amount due. Students who incur fines and fees throughout the semester may not have funds to pay until the following semester. Again, if they do not return the following term, they end up owing money. There are many circumstances that arise, and the campuses have discretion to manage the exceptions.

A common way to gauge collections is to compare them with the total dollars collected. The BOR institutions have very good collection rates with receivables well below one percent for the fiscal years reported. The overall system rate for receivables for the four-year period is 0.54% of total student revenues. The table on page two identifies the total amounts uncollected for FY2014 through FY2017 as of the end of the Spring 2017 term. The receivables amounts include all debt prior to any write-offs.

(Continued)

INFORMATIONAL ITEM

Student Accounts Receivable Report

June 27-29, 2017

Page 2 of 4

		Grand Total of Receivables	Total Student Revenues	% of Receivables to Total Revenue
BHSU	FY14	\$150,699	\$30,737,197	0.49%
	FY15	\$119,583	\$29,723,805	0.40%
	FY16	\$277,845	\$30,746,475	0.90%
	FY17	\$303,917	\$30,734,532	0.99%
DSU	FY14	\$137,879	\$20,486,986	0.67%
	FY15	\$122,045	\$21,368,408	0.57%
	FY16	\$173,643	\$23,729,692	0.73%
	FY17	\$317,876	\$24,724,301	1.29%
NSU	FY14	\$110,031	\$20,817,698	0.53%
	FY15	\$132,908	\$20,866,371	0.64%
	FY16	\$95,308	\$20,209,370	0.47%
	FY17	\$128,116	\$19,567,183	0.65%
SDSM&T	FY14	\$29,571	\$31,760,747	0.09%
	FY15	\$52,804	\$35,029,520	0.15%
	FY16	\$44,827	\$37,070,507	0.12%
	FY17	\$247,588	\$38,373,020	0.65%
SDSU	FY14	\$485,217	\$128,546,636	0.38%
	FY15	\$483,783	\$135,273,429	0.36%
	FY16	\$730,499	\$142,380,855	0.51%
	FY17	\$1,487,119	\$142,060,957	1.05%
USD	FY14	\$269,787	\$98,266,676	0.27%
	FY15	\$288,491	\$98,675,474	0.29%
	FY16	\$427,925	\$103,096,610	0.42%
	FY17	\$917,690	\$103,546,352	0.89%
SYSTEM TOTAL		\$7,535,150	\$1,387,792,802	0.54%

Note: There are outstanding receivables from prior terms that are not reflected so the total outstanding will not match the totals on page 3.

Student Accounts Receivable Report

June 27-29, 2017

Page 3 of 4

Student Accounts Receivable Activity

Throughout the year the universities use in-house collections, third-party collections agencies for older accounts, and the services of the Obligation Recovery Center (ORC) to collect outstanding student receivables. BOR 5:21, System Collection Policy, provides that when in-house and Obligation Recovery Center (ORC) collection efforts are exhausted and the account is at least two years delinquent, the account will be submitted to the South Dakota Board of Finance for write-off. Note that the bad accounts are written off the financial statements while the receivable remains on the student's account in Colleague with a HOLD marker.

The time frame in which institutions submit requests to the Board of Finance varies. The institutions usually submit write-offs annually. The past two years, write-offs to the Board of Finance were placed on hold until ORC was functioning and the agreement between the Regental System and the State was reached as to the use of ORC by the universities. As part of the transition, the universities will be able to 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. 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 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. The Board of Finance began approving the universities' request for write-offs during the March 2017 meeting.

The table below compares the FY14 year-end AR balance to the May 31, 2017 balance and the percentage change in receivables. It also reports the write-offs amounts approved by the Board of Finance and the proportion of debt written-off to the AR Balances. The change in total receivables and the proportion written-off are indicators of each institution's success in collections.

Student Accounts Receivable Activity						
As of May 31, 2017						
	BHSU	DSU	NSU	SDSMT	SDSU	USD
AR Balance June 30, 2014	\$1,162,084	\$762,082	\$721,622	\$180,132	\$2,594,504	\$2,385,919
AR Balance May 30, 2017	\$1,711,633	\$1,162,969	\$947,959	\$439,548	\$4,287,430	\$3,532,701
Inc./Dec. in Receivables	\$549,548	\$400,887	\$226,337	\$259,416	\$1,692,926	\$1,146,782
Percentage Change in Receivables	47.29%	52.60%	31.37%	144.01%	65.25%	48.06%
FY17 AR Balance	\$1,711,633	\$1,162,969	\$947,959	\$439,548	\$4,287,430	\$3,532,701
Write-Offs	\$615,344	\$162,241	\$138,867	\$0	\$227,414	\$1,126,565
Proportion of Debt Written-Off	35.95%	13.95%	14.65%	0.00%	5.30%	31.89%

Obligation Recovery Center Activity

BOR 5:21, System Collection Policy, provides that when in-house collections have been exhausted, accounts under \$250 may be referred and accounts over \$250 shall be referred to the State of South Dakota's Obligation Recovery Center (ORC) collection efforts. USD began using ORC services in December 2016 and the remaining universities followed suit this year. The table

Student Accounts Receivable Report

June 27-29, 2017

Page 4 of 4

below summarizes the activity to-date with ORC. The debts referred would include all accounts of \$250 or more back from FY2012, not currently under a payment plan, per our agreement with the State Board of Finance.

Obligation Recovery Center Activity with the Regental Institutions

As of May 31, 2017

		Debts Referred	Debts Paid in Full	Net Payments	Payment Agreements Established
BHSU	Number	494	0	51	55
	Amount	\$920,273.29	\$0.00	\$16,124.85	\$99,196.55
DSU	Number	296	6	59	29
	Amount	\$467,249.74	\$5,666.52	\$17,502.09	\$46,025.92
NSU	Number	305	15	115	54
	Amount	\$459,857.92	\$15,616.69	\$30,067.33	\$105,571.38
SDSM&T	Number	113	0	9	5
	Amount	\$208,528.85	\$0.00	\$3,337.62	\$4,985.35
SDSU	Number	8	0	0	0
	Amount	\$26,797.85	\$0.00	\$0.00	\$0.00
USD	Number	808	47	698	243
	Amount	\$1,701,998.53	\$40,928.61	\$132,419.90	\$525,379.87
Total	Number	2,024	68	932	386
	Amount	\$3,784,706.18	\$62,211.82	\$199,451.79	\$781,159.07