

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**REVISED  
AGENDA ITEM: 6 – C  
DATE: October 2-4, 2018**

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**SUBJECT**

**Student Accounts Receivable Report**

**CONTROLLING STATUTE, RULE, OR POLICY**

[BOR Policy 5:5](#) Tuition and Fees General Procedures

[BOR Policy 5:21](#) System Collection Policy

[SDCL 1-55](#) Obligation Recovery Center

[ARSD 10: 11](#) Obligation Recovery Center

**BACKGROUND/DISCUSSION**

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 FY15 through FY18. 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 receivables is to compare them with the total dollars collected. The BOR institutions have very good collection rates with receivables below one percent for the fiscal years reported. The overall outstanding receivables rate for the four-year period is 0.51% of total student revenues. The table on page two identifies the total amounts uncollected for FY2015 through FY2018 as of the end of the spring 2018 term. The receivables amounts include all student debt prior to any write-offs.

(Continued)

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**INFORMATIONAL ITEM**

Student Account Receivable Report

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		<b>Grand Total of Receivables</b>	<b>Total Student Revenues</b>	<b>% of Receivables to Total Revenue</b>
<b>BHSU</b>	FY15	\$95,610	\$29,723,805	0.32%
	FY16	\$223,992	\$30,746,475	0.73%
	FY17	\$220,577	\$30,725,399	0.72%
	FY18	\$333,007	\$31,311,990	1.06%
<b>DSU</b>	FY15	\$99,773	\$21,368,408	0.47%
	FY16	\$122,908	\$23,729,692	0.52%
	FY17	\$175,848	\$24,720,535	0.71%
	FY18	\$312,821	\$26,432,837	1.18%
<b>NSU</b>	FY15	\$108,749	\$20,866,371	0.52%
	FY16	\$73,191	\$20,209,370	0.36%
	FY17	\$92,372	\$19,565,777	0.47%
	FY18	\$140,211	\$20,647,948	0.68%
<b>SDSM&amp;T</b>	FY15	\$46,638	\$35,029,520	0.13%
	FY16	\$55,398	\$37,070,507	0.15%
	FY17	\$120,762	\$38,389,289	0.31%
	FY18	\$167,103	\$38,113,837	0.44%
<b>SDSU</b>	FY15	\$392,735	\$135,273,429	0.29%
	FY16	\$569,434	\$142,380,855	0.40%
	FY17	\$722,364	\$142,110,670	0.51%
	FY18	\$1,366,137	\$144,015,502	0.95%
<b>USD</b>	FY15	\$240,071	\$98,675,474	0.24%
	FY16	\$318,574	\$103,096,610	0.31%
	FY17	\$460,526	\$103,446,867	0.45%
	FY18	\$867,353	\$105,482,833	0.82%
<b>SYSTEM TOTAL</b>		\$7,326,154	\$1,423,134,000	0.51%

*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 Account Receivable Report

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### Student Accounts Receivable Activity

Throughout the year the universities use in-house collections, third-party collection 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.

Using Colleague data, the table below compares the June 30, 2015, year-end AR balance to the June 30, 2018, balance and the percentage change in receivables. It also reports the student receivable write-off 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.

<b>Student Accounts Receivable Activity</b>						
<b>As of June 30, 2018</b>						
	BHSU	DSU	NSU	SDSMT	SDSU	USD
AR Balance 06/30/2015	\$1,487,378	\$1,002,431	\$921,126	\$351,243	\$3,165,117	\$2,753,794
AR Balance 06/30/2018	\$2,008,796	\$1,300,844	\$1,043,010	\$596,573	\$4,687,838	\$3,749,153
Inc./Dec. in Receivables	\$521,418	\$298,413	\$121,885	\$245,331	\$1,522,722	\$995,359
Percentage Change in Receivables	35.06%	29.77%	13.23%	69.85%	48.11%	36.14%
FY18 AR Balance	\$2,008,796	\$1,300,844	\$1,043,010	\$596,573	\$4,687,838	\$3,749,153
Write-Offs	\$789,311	\$257,724	\$414,006	\$135,033	\$719,619	\$1,219,665
Proportion of Debt Written-Off	39.29%	19.81%	39.69%	22.63%	15.35%	32.53%

Even with improved collection success with ORC and writing off bad debt, the universities show growing receivables.

### 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. Institutions have been using ORC services for a year or more. The table on the next page summarizes the activity to-date with ORC.

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<b>Obligation Recovery Center Activity with the Regental Institutions</b>					
<b>As of June 30, 2018</b>					
		Debts Referred	Debts Paid in Full	Net Payments	Payment Agreements Established
BHSU	Number	679	78	2,028	259
	Amount	\$1,122,379	\$95,168	\$232,006	\$584,170
DSU	Number	570	68	1,086	161
	Amount	\$865,871	\$71,341	\$164,552	\$360,900
NSU	Number	527	71	1,167	180
	Amount	\$670,992	\$71,967	\$138,842	\$360,285
SDSM&T	Number	199	31	398	56
	Amount	\$322,981	\$25,452	\$54,216	\$126,307
SDSU	Number	1,179	99	2,657	395
	Amount	\$2,851,691	\$140,830	\$378,511	\$1,160,387
USD	Number	1,351	232	3,677	495
	Amount	2,643,521	\$336,852	\$604,375	\$1,240,574
Total	Number	4,505	579	11,013	1,546
	Amount	\$8,477,435	\$741,610	\$1,572,502	\$3,832,624

The ORC was created to be a central repository for the collection of debts owed to any agency or department of the State of South Dakota. The center works to collect those bad debts and determines the appropriate method of collection through powers granted by codified law. For debt equal to or greater than \$1,000, the center shall provide notice to the licensing agency that the debtor may not renew, obtain, or maintain any motor vehicle registration, motor cycle registration, boat registration, or driver license unless the debt and cost recovery fee is paid in full or the debtor has entered into a payment plan and the plan remains current. For debt equal to or greater than \$50, the center shall provide notice to the licensing agency that the debtor may not obtain any hunting or fishing license, or state park or camping permit unless the debt and cost recovery fee is paid in full or the debtor has entered into a payment plan and the plan remains current.

**IMPACT AND RECOMMENDATIONS**

The BOR institutions have very good collection rates with receivables below one percent for the fiscal years reported. The overall outstanding system receivables for the four-year period of FY15 – FY18 is 0.51% of total student revenues.

**ATTACHMENTS**

None