

SOUTH DAKOTA BOARD OF REGENTS

Full Board

AGENDA ITEM: 13

DATE: June 10-11, 2015

SUBJECT: Write-offs and State Debt Recovery Center

There was considerable consternation about HB1228 during the 2015 legislative session which provided for the creation of the Obligation Recovery Center for the State of South Dakota. The bill provides the guiding structure for the new debt consolidation and collection center. Debts owed to the state will be assessed a 20% cost recovery fee and the center will have all authorities to collect debts as authorized under state law. In addition, the statute includes the following language:

Section 11. No person that owes a debt that is referred to the center may renew, obtain, or maintain:

- (1) Any registration for any motor vehicle, motorcycle, or boat, in which the person's name appears on the title of the motor vehicle, motorcycle, or boat;
- (2) Any driver license as defined by subdivision 32-12-1(1); or
- (3) Any hunting license, fishing license, state park permit, or camping permit;

unless the debt and cost recovery fee is either paid in full or the debtor has entered into a payment plan with the center and payment pursuant to the plan is current.

The Board of Regents was asked by Commissioner Dilges to support the bill during session. The Executive Director agreed to do this knowing that the bill included permissive language about whether or not BOR utilized the center. Past experience with a previous state collection operation was not positive and concerns were raised by the campuses and the BOR office that the collection methods proposed seemed very heavy-handed. While the structure being proposed for this center is very different, there were concerns raised during testimony about the collection authorities and that the private sector could accomplish the same results. In fact, the center will contract with private firms after the 180 day accounts receivable cycle provided to the center for collections.

State law currently allows agencies to submit debt that is at least two years old and that has been through collections to the State Board of Finance to be written-off. The campuses are being informed that all debt write-off requests are being held for processing because the state

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Information only.

currently is processing a request for proposal for a new collection agency and will be revising the process. Requests for write offs are to be held until this process is completed. When this was questioned, the message was that holding write-offs would be used as an incentive to utilize the new debt recovery center. Similar to the previous debt collection operation, the Board of Finance would not allow anything to be written off until it had been through the state collection center.

While there are likely to be instances where the universities would choose to use the Obligation Recovery Center, there are also times where the receivable is small or the circumstances warrant writing the debt off. Given the concerns that were raised internally during session and now on-going concerns of the universities, we will continue to monitor the situation and report to the Board on how this plays out.