

South Dakota Bureau of Administration
Obligation Recovery Center

FY2017 Annual Report

Obligation Recovery Center

Background

House Bill 1208 was passed during the 2015 Legislative Session and created the Obligation Recovery Center (Center) within the Bureau of Administration (BOA). It took effect July 1, 2015. It is codified in SDCL 1-55. The BOA issued a Request for Proposal and subsequently contracted with CGI Technologies and Solutions, Inc. to operate the Center.

Significant Events during FY2017

The legislation created the obligation recovery center advisory group to provide advice and guidance to the BOA during the establishment of the Center. The advisory group consisted of Senator Terri Haverly, Senator Jeff Partridge, Representative Peggy Gibson, William Van Camp, Bureau of Finance and Management (BFM) Commissioner Liza Clark and BOA Commissioner Scott Bollinger. The BOA expresses its sincere thanks to the members for their service and advice regarding the Obligation Recovery Center. Their perspective was invaluable. SDCL 1-55-17 sunsetted the advisory group effective June 30, 2017.

The Center held monthly multi-agency meetings to discuss implementation processes and gather information from agencies to establish consistent and uniform methods for debt collection.

The Center, through BOA, enters into a Memorandum of Understanding (MOU) with each agency that will use the Center to collect debt to ensure that any agency specific requirements are considered.

MOUs were signed with the following agencies:

- a. the Unified Judicial System,
- b. the Secretary of State,
- c. the Department of Corrections,
- d. the Department of Game, Fish and Parks,
- e. the Department of Revenue,
- f. the Department of Human Services,
- g. the Board of Regents to include all institutions,
- h. the Department of Transportation,
- i. the Department of Public Safety, and
- j. the Department of Agriculture.

The Center began operations on July 15, 2016 with initial referrals from the Unified Judicial System and the Department of Corrections.

Due Process Hearings

Debtors have the option of requesting a due process hearing. The hearing is conducted by the Office of Hearing Examiners, and the agency with whom the debt originates appears and presents evidence regarding the debt.

In FY2017, there were 63,336 debts referred to the Center, of which 24 due process hearings were requested. Of the 24 hearings requested, 12 were dismissed and 12 resulted in written decisions by the Hearing Examiner.

Debt Collection Process

State agencies will not refer some debt types to the Center for collection. State agencies will evaluate those types of debt and when appropriate, request that they be written off by the Board of Finance. Those debt types include:

- a. Bankruptcy
- b. Death of Debtor
- c. Undocumented Debt
- d. Statute of Limitations Expired
- e. Balance Owed is Under \$25
- f. Debts Owed by Other Governments

The Center has 180 days to collect debt that has been referred to it for collection. If the Center is unable to collect the debt during that period, the Center will refer the debt to a third party debt collection agency or agencies for a period of no less than one year.

Third Party Debt Collection

The BOA negotiated the scope of work and contract rates with the top ranked respondents to the RFP. Contracts were entered into with the following three debt collection agencies: Progressive, Harris and Harris and Gila, LLC d/b/a Municipal Services Bureau.

The term of the contract is one (1) year with four (4) additional one (1) year optional extension periods. The initial contract period began July 1, 2016, and the contracts with the three collection agencies were renewed for an additional year effective July 1, 2017.

The debt collection agencies began collecting debt on March 13, 2017.

The Bureau will consider soliciting new proposals on an annual basis as needed, providing the opportunity for unsuccessful debt collection agencies to be considered for future contracts to provide the third party debt collection services.

FY2017 Collection Activities

During FY2017, 63,336 accounts with a total value of \$47,488,810.63 (which includes principal, interest and penalties) were referred to the Center by state agencies. The Center initiated 145,723 letters and made 119,210 phone calls to debtors. In addition, the Center processed 28,863 inbound calls from debtors.

Of the 63,336 accounts referred, 30,866 were referred to the third party debt collection agencies during FY2017 with a total value of \$25,826,980.46.

The Center initiated enforcement notifications to Game, Fish and Parks (40,655); Department of Revenue, Division of Motor Vehicles (4,680); and Department of Public Safety, Drivers Licensing (4,859).

FY2017 Financial Summary of Collection Activities

During FY2017, the Center was able to collect from debtors or establish payment plans as follows:

Category	Description
\$1,613,843.34	Money collected for agencies by the Center
\$195,578.67	Money collected for agencies by third party collectors (3/2017 – 6/2017)
\$1,504,444.91	Payments resulting from final agency notices (7/2016-6/2017)
\$3,313,866.92	Total money collected for agencies
\$7,228,587.48	Dollar value of payment plans with the Center
\$460,764.39	Dollar value of payment plans with third party collectors
\$7,689,351.87	Total value of payment plans
\$11,003,218.79	Total Financial Impact of Collection Activities

The money collected by the Center is remitted to the originating state agency. Of the \$3.3 million remitted to state agencies, \$618,267.00 was deposited into the general fund with the remaining monies distributed to various agency funds. In addition, \$4,023.35 was deposited into the general fund from the recovery fee collected by the third party debt collection agencies.

FY2017 Revenues and Expenses

All debts collected and the cost recovery fees are remitted to the State per statute and more than offset the general fund appropriation. The amount of the collected debt is transferred to the agency that referred it to the Center and the cost recovery fees are deposited into the general fund.

CGI and the third party debt collection agencies bill the Center for their services in accordance with their contracted rates and supported by documentation.

Of the \$450,000 of general funds appropriated for FY2017, \$244,226.70 was paid to CGI and the third party debt collection agencies. The remaining balance was reverted.

Obligation Recovery Center Webpage

The Obligation Recovery Center webpage (<http://boa.sd.gov/divisions/obligation/>) can be found on the BOA website with links to contact information for the Center and to the self-service payment portal. A number of reports including the annual reports are also listed.