



# OBLIGATION RECOVERY CENTER

FISCAL YEAR 2023 ANNUAL REPORT



# OBLIGATION RECOVERY CENTER 2023

*The Accounts Receivable Management industry has experienced a roller coaster of trends over the past 2-3 years, the latest being a reduction in liquidation of bad debt. This is attributed to increased gas prices, inflation, and an increase in Credit Card balances, thereby causing consumers to either stop paying their debt, or lowering their payment amount in an effort to manage their expenses. During 2020 and 2021, The ARM industry actually noticed a spike in debtor payments due to the stimulus checks. Since the stimulus checks have stopped, the trend has reversed. Additionally, the student loan payment pause will be reinstated come January 2024, which could adversely affect the ARM industry even further. One thing for certain, we are expecting the roller coaster to continue most of 2024 when hopefully the economy stabilizes.*



*-Margie Brickner, President & CEO of Reliant Capital Solutions*

# OBLIGATION RECOVERY CENTER 2023

*Our approach to managing the ORC is focused on improving outcomes for both the citizens of South Dakota and State Government. The team includes members with substantial experience managing state collection operations. They are consistently reviewing the results and looking for improvement opportunities. The continuous improvement approach has resulted in tangible outcomes that include:*

*Customer service provided during a call*

*Training State Agencies on new approaches to debt collection*

*Sharing results with referring entities and identifying areas where process improvements can be made*

*Monthly reviews are conducted to track progress on improvement initiatives. The goal is to leverage our decades of experience to improve performance.*

*Stan Farmer, President, Government Performance Solutions, LLC -*



**FY23 Collection and Inventory Summary**

<b>AGENCY</b>	<b>Collections</b>	<b>Outstanding Balance</b>	<b>Number of Accounts</b>
<b>UNIFIED JUDICIAL SYSTEM</b>	\$ 1,503,338	\$ 84,100,491	134,391
<b>CORRECTIONS</b>	103,626	7,562,456	3,841
<b>GAME, FISH &amp; PARKS</b>	12,644	416,622	198
<b>REVENUE</b>	356,959	18,141,985	2,123
<b>UNIVERSITY OF SOUTH DAKOTA</b>	391,008	3,668,530	1,360
<b>DAKOTA STATE UNIVERSITY</b>	124,087	1,357,523	653
<b>SCHOOL OF MINES</b>	56,699	538,657	187
<b>NORTHERN STATE UNIVERSITY</b>	47,255	560,906	309
<b>BLACK HILLS STATE UNIVERSITY</b>	196,625	1,779,038	754
<b>SOUTH DAKOTA STATE UNIVERSITY</b>	422,420	4,795,573	1,500
<b>TRANSPORTATION</b>	13,500	650,864	240
<b>SOCIAL SERVICES</b>	95,517	3,956,888	2,378
<b>ENVIRONMENT AND NATURAL RESOURCES</b>	450	3,510	14
<b>LABOR AND REGULATION</b>	259	700	4
<b>WESTERN DAKOTA TECHNICAL INSTITUTE</b>	85,141	811,954	501
<b>MITCHELL TECHNICAL INSTITUTE</b>	22,182	149,424	104
<b>SOUTHEAST TECHNICAL INSTITUTE</b>	228,967	1,416,938	730
<b>SD RETIREMENT SYSTEM</b>	2,125	79,128	1
<b>OTHER</b>	1,250	184,009	27
<b>TOTAL</b>	<b>\$ 3,664,051</b>	<b>\$ 130,175,196</b>	<b>149,315</b>

# COLLECTION SUMMARY

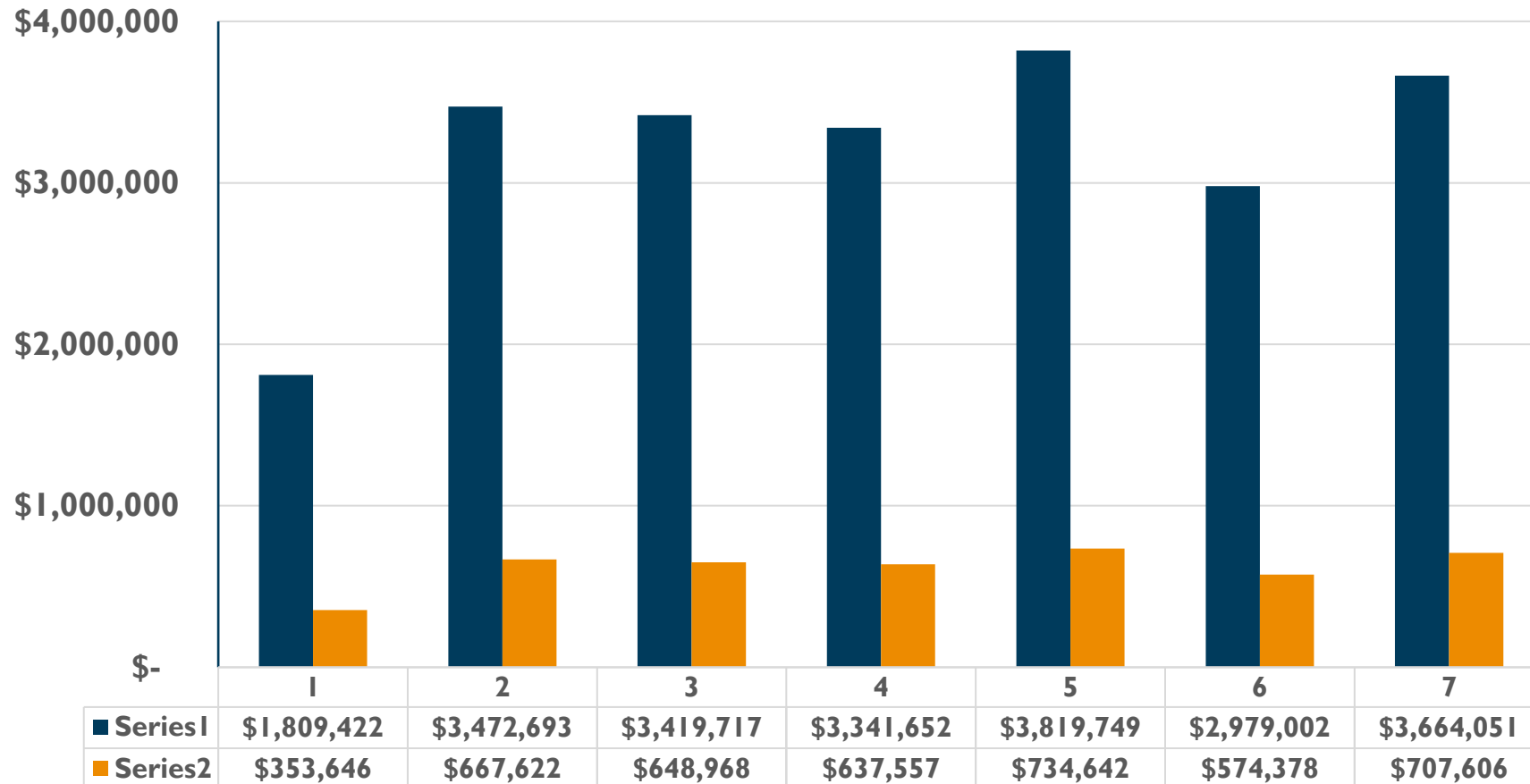
FY23 COLLECTIONS FOR ALL AGENCIES TOTALED \$3,664,051.

AT THE END OF FY23 A TOTAL OF 149,315 ACCOUNTS WERE BEING COLLECTED BY THE ORC.

THOSE ACCOUNTS HAD AN OUTSTANDING BALANCE OF \$130,175,196.

# YEAR OVER YEAR PERFORMANCE

Annual Collections  
Year Over Year Performance



Agency Recoveries reflect the amount collected on behalf of the State and returned to each agency by the ORC.

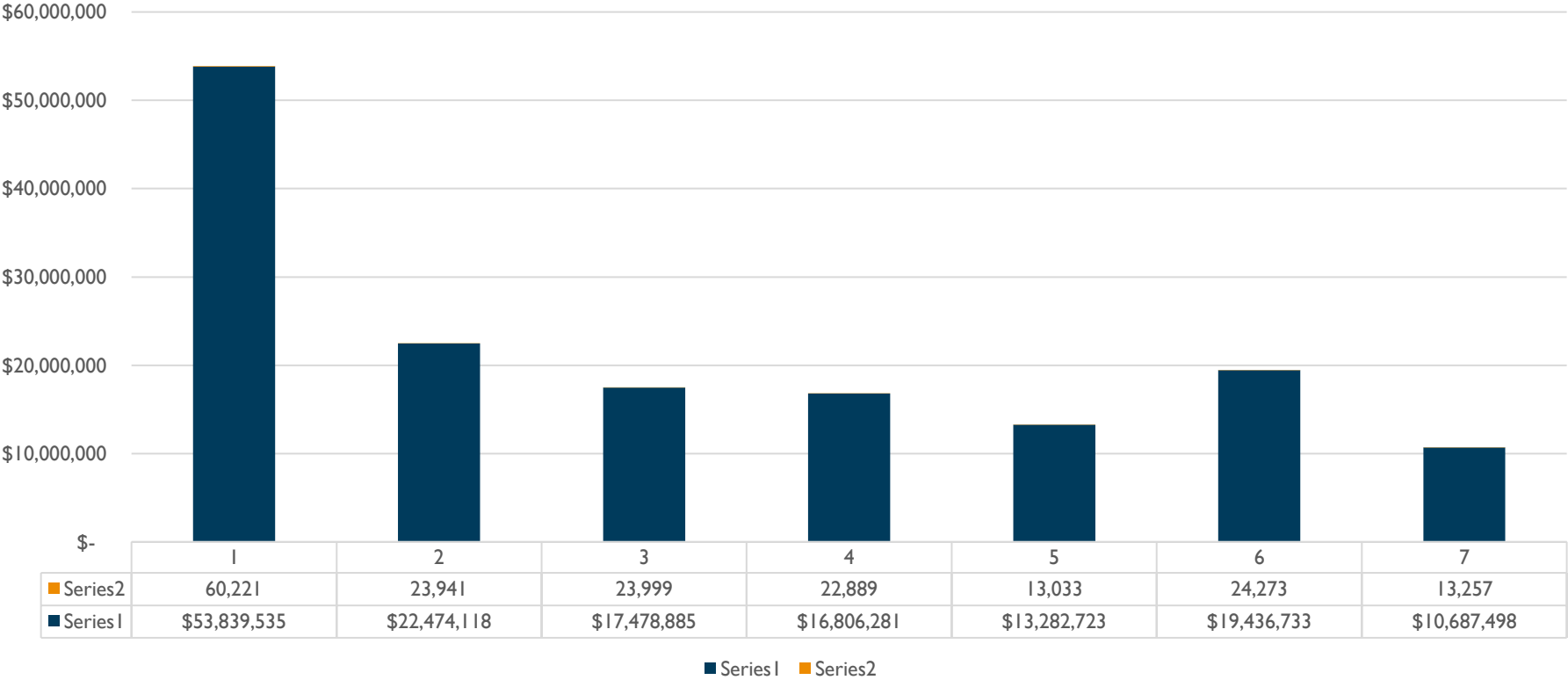
The Cost Recovery Fee is the additional amount collected to offset the cost of recovery.

# ANNUAL COLLECTIONS

Entity	2017	2018	2019	2020	2021	2022	2023
<b>Unified Judicial System</b>	\$ 895,799	\$ 1,292,073	\$ 1,480,754	\$ 1,518,552	\$ 1,783,365	\$ 1,469,393	\$ 1,503,338
<b>Revenue</b>	153,914	380,427	416,154	432,535	383,093	258,977	356,959
<b>Regents</b>	270,177	1,302,486	1,170,154	934,266	1,004,370	793,334	1,238,093
<b>Technical Colleges</b>	-	-	-	161,233	324,512	262,373	336,290
<b>Corrections</b>	464,353	451,460	262,434	180,091	172,316	111,946	103,626
<b>All Others</b>	25,179	46,247	90,232	114,975	152,093	82,979	125,745
<b>Net Back to Agencies</b>	\$ 1,809,422	\$ 3,472,693	\$ 3,419,727	\$ 3,341,652	\$ 3,819,749	\$ 2,979,002	\$ 3,664,051
<b>Fees</b>	353,646	667,622	648,968	637,557	734,642	574,378	707,606
<b>Total Collections</b>	\$ 2,163,068	\$ 4,140,315	\$ 4,068,695	\$ 3,979,209	\$ 4,554,391	\$ 3,553,130	\$ 4,371,657

# REFERRALS

Net Referral to ORC



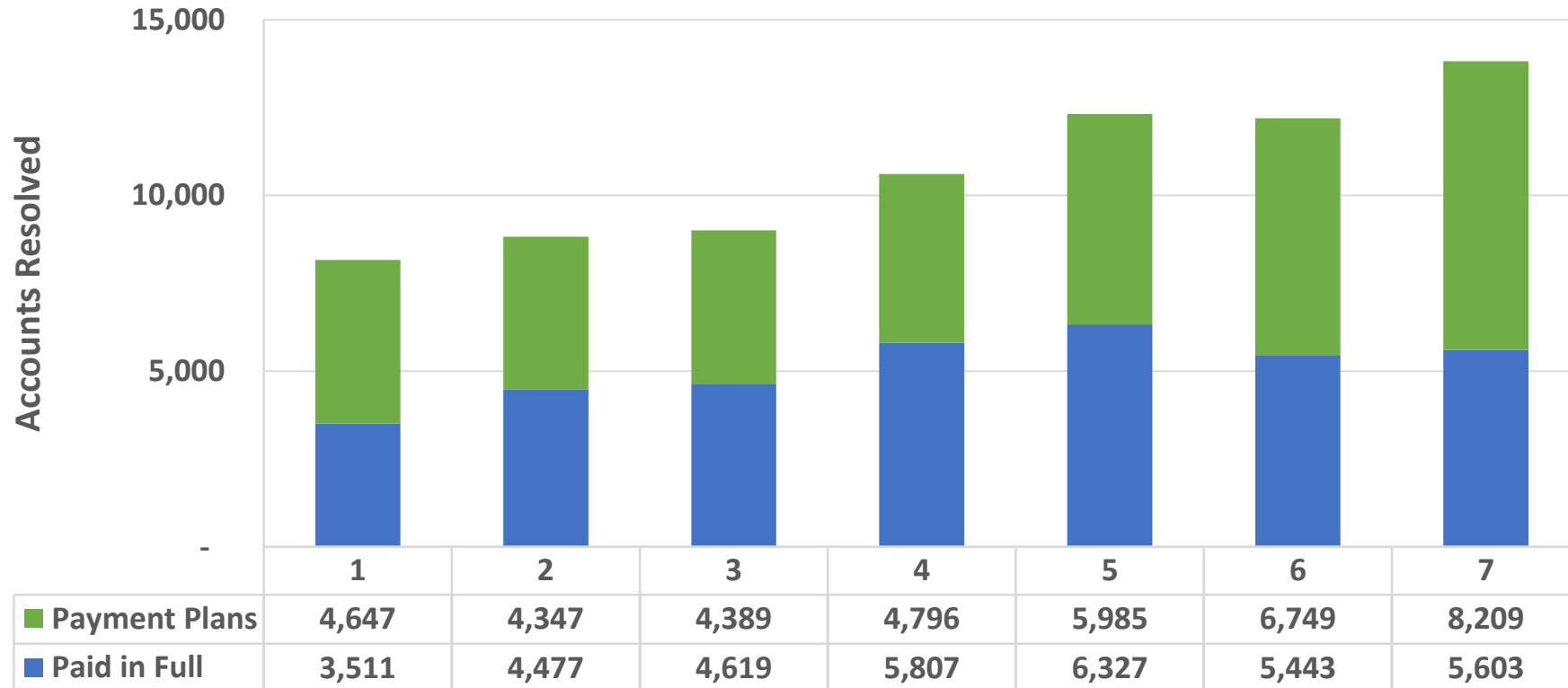
Total Referrals to the ORC in FY23 were \$21,881,630, however due to the recall of over \$11,000,000 by one agency the ORC experienced a net reduction in referrals.

The average account balance of net referrals was \$806.

This data reflects total referrals less accounts recalled.

# PAYMENT PLAN STRATEGY

Account Resolution



This chart shows the number of accounts paid-in-full during the fiscal year and the total of all active payment plans throughout the year.

Payment in full becomes more difficult when the economy is challenging.

Payment plans help keep customers engaged in achieving compliance without undue burden.

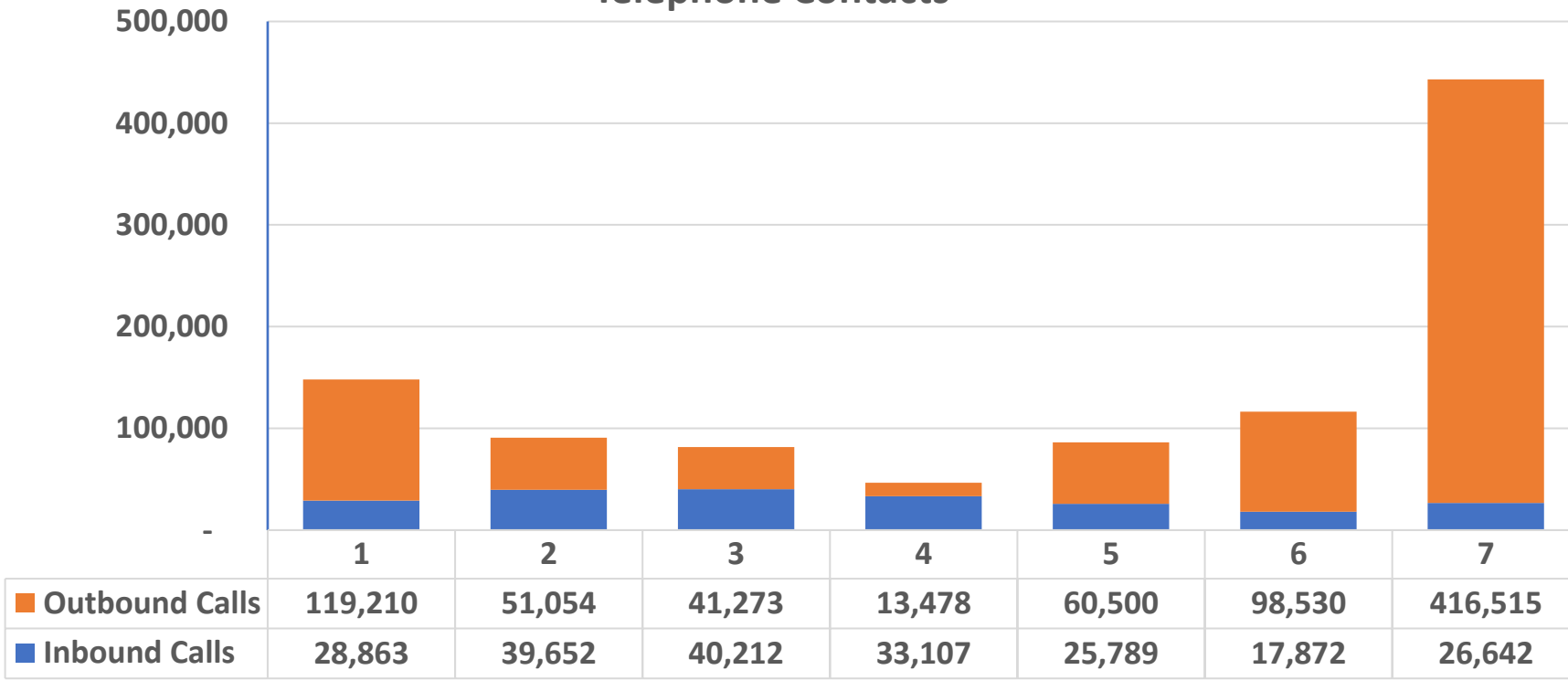


# PAYMENT PLAN STRATEGY

- The ORC will establish a pay plan when payment in full is not possible.
- ORC approach to establishing & maintaining payment plans
  - Customers who can continue to live their life have a greater chance of becoming fully compliant.
  - Educating customers is the key.
  - Checking in at least every 12 months allows changes based on present financial situation.
  - Customers can call in any time to request changes if their situation changes.
- What is the value to the State and the Customer?
  - Compliance means more money for the state agencies and more customers taking advantage of their opportunities.
  - Everyone pays their fair share.

# CUSTOMER ENGAGEMENT STRATEGY

Annual Customer Interactions  
Telephone Contacts



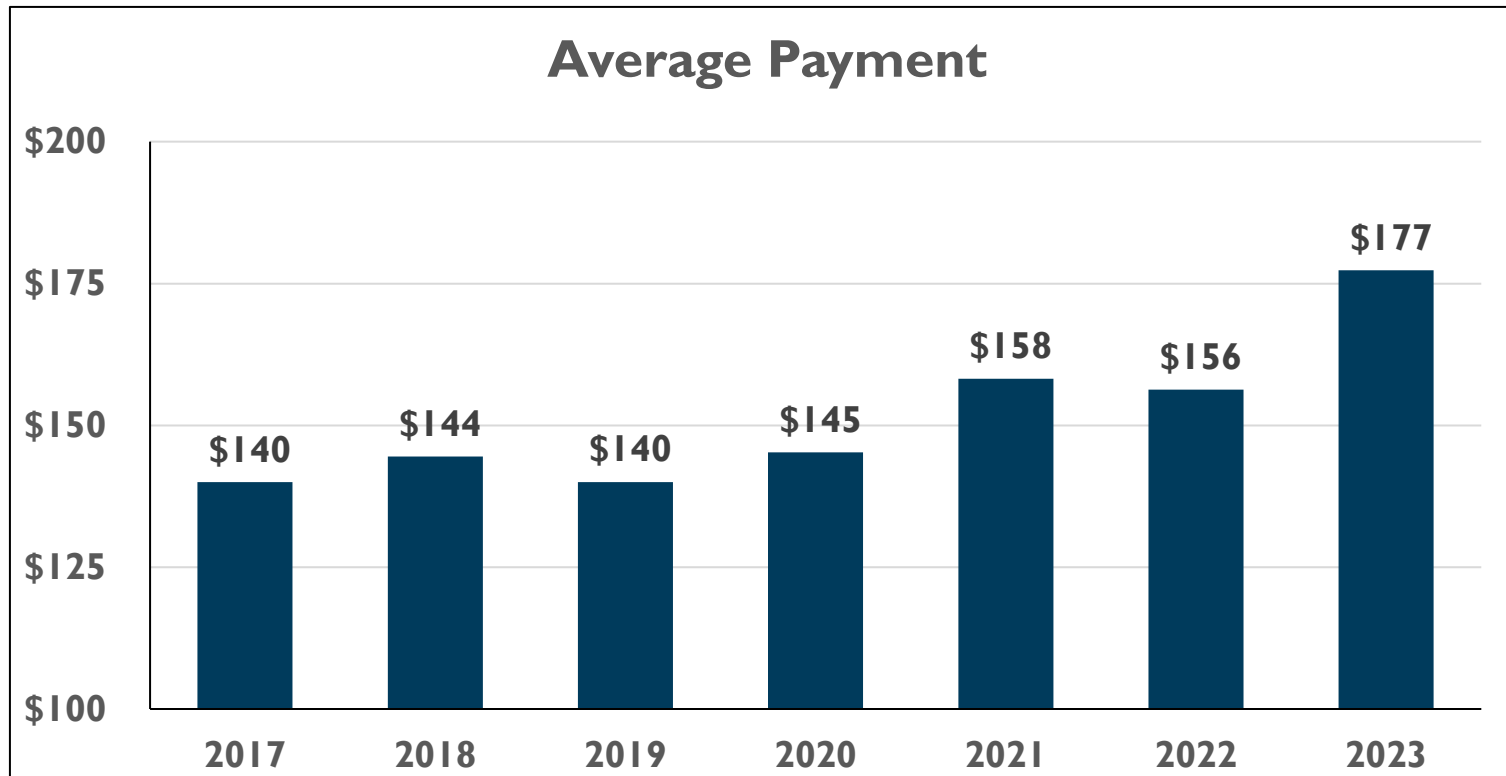
Outbound call trends reflect a proactive strategy to engage with the customer to help them manage and pay off their debt in the most efficient way.

This is demonstrated by the increasing number of outbound calls and reduced volume of inbound calls to the ORC.

# CUSTOMER ENGAGEMENT STRATEGY

- Focus on outbound calling
- Improves:
  - Customer Service by offering the customer the ability to immediately ask questions to an expert.
  - Collection Performance by immediately discovering a way to bring the customer into compliance.
  - Customer Outcomes by educating the customer and helping them satisfy their debts through reasonable payment plans (See Payment Plan Strategy).
- Why is this important and valuable?
  - Customers: Fewer customers are affected by adversarial actions (such as revoking a license).
  - State Agencies: More customers are attending school, maintaining jobs, and paying taxes.
  - For everyone: A realization that everyone is paying their fair share.

# PERFORMANCE MEASURES



Results during this reporting period were likely impacted by both macroeconomic forces and internal process improvements.

In FY 2023 several factors drove improved performance for the ORC:

- students returning to higher education institutions,
- an expanding job market
- targeted projects performed for agencies
- expanded OCA involvement.

Average payment amount equals collections divided by number of payments.

# FY23 PROJECT: Department of Revenue

➤ **Goal:** Improve collection results and provide structured options for customers to pay the tax owed.

- Only the most difficult to collect accounts are placed with ORC.
- 60% of accounts are at least 6 years old; 45% are more than 10 years old.
- Outstanding balance of \$21.4 million. \$15.2 million of that is more than 6 years old.
- At least 35% of accounts and 47% of amount owed is located out of state.

➤ **Initiatives:** We will coordinate closely with DOR to:

- Return debts that have no tax due. Some accounts have balances that consist of only penalty, interest or fees.
- Create a targeted effort to settle older debts for amount of tax owed plus cost recovery fee.
- Identify debts where claims may be filed against estate.
- Coordinate with DOR to place non-productive accounts with ORC soon after cancellation or revocation of permit.
- Refer active remote seller accounts to ORC.

➤ **Results:**

- Portfolio clean up – The ORC identified 143 accounts with zero taxes owed and 50 accounts belonging to deceased debtors
- Analyzed the project portfolio (accounts with debts which were created in 2016 or earlier) and defined a structured settlement which focused on 1,037 accounts with a value of \$10,613,096
- To date the ORC has successfully collected over \$98,000 from 75 taxpayers in this portfolio.

# FY24 INITIATIVES

- **Goal:** Improve collection results and the Customer Experience.
- **Strategy:** Actively manage and continuously improve collection processes.  
Create solutions that enhance our ability to provide value added service in our changing business and community environment.
- **Actions:** Regular Portfolio Analysis and Operational Evaluation  
Assess Portfolio Collectability  
Work with State Agencies to develop strategy for successfully collecting and/or closing accounts  
Prioritize and organize specific collection projects