OBLIGATION RECOVERY CENTER

FISCAL YEAR 2026 ANNUAL REPORT

State of South Dakota

BUREAU OF HUMAN RESOURCES AND ADMINISTRATION

OBLIGATION RECOVERY CENTER 2026

- SDCL 1-55-16. Annual report to Government Operations and Audit Committee.

The center shall annually report after conclusion of the prior fiscal year to the Government Operations and Audit Committee concerning the activity of the center including the number of debts referred to the entity, the annual amount and nature of the debt obligations recovered by the center, the number of debts referred from the center to private collection agencies and the results of those referrals, and the costs and expenditures incurred by the center.

- FY26 Key Takeaways:
  - The ORC has completed ten years of operation. The past three years have been the most successful.
  - Recoveries since inception of the project total $34.7 million.
  - Our strategy to create affordable payment plans continues to help our customers while increasing revenues. The ORC returned $4,010,061 to state entities in FY 26.
  - State entities referred for collection a net total of 13,308 accounts with a value of $10.4 million in FY26.
  - Procured a new Outside Collection Agency (OCA) through a competitively bid Request for Proposals.
  - Documented critical processes and procedures to ensure consistency and continuity.
  - Engaged state agencies and educational institutions to bolster participation. Added the Electrical Commission as a new customer.

Total Collections Since Inception

Agency	Collections
Unified Judicial System	$15,710,008
Revenue	3,631,132
University of South Dakota	3,612,415
South Dakota State	3,134,825
Corrections	1,975,237
Black Hills State	1,498,159
Southeast Technical Institute	1,325,870
Dakota State	987,489
Northern State	684,620
Social Services	544,402
Western Dakota Technical Institute	493,161
School of Mines	468,762
Transportation	200,623
Mitchell Technical Institute	175,690
Game, Fish & Parks	169,038
All Others	$42,085
Total	$34,653,517

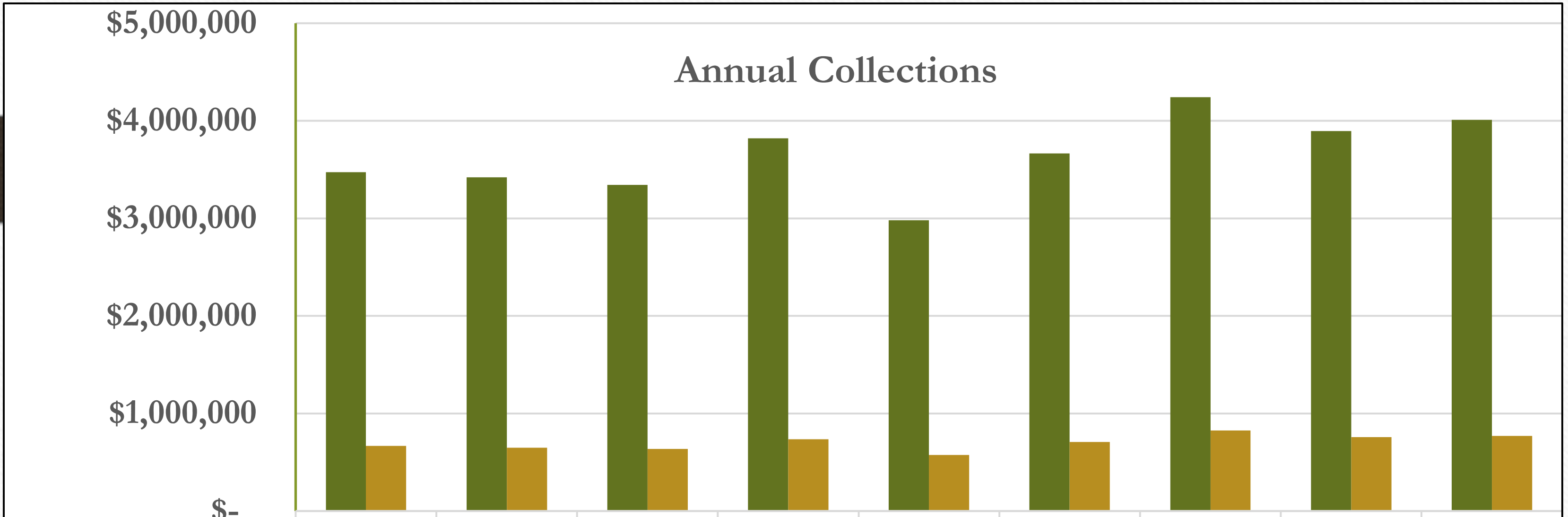
Total Collections Since Inception

THE ORC HAS COMPLETED TEN YEARS OF OPERATION. THE PAST THREE YEARS HAVE BEEN THE MOST SUCCESSFUL.

45% OF COLLECTIONS ARE FOR THE UNIFIED JUDICIAL SYSTEM.

REFLECTS THE TOTAL AMOUNT RETURNED TO EACH ENTITY FROM JULY 2016 THROUGH JUNE 2026.

Annual Collections: FY18-FY26



	2018	2019	2020	2021	2022	2023	2024	2025	2026
Agency Recoveries	$3,472,693	$3,419,717	$3,341,652	$3,819,749	$2,979,002	$3,664,051	$4,242,665	$3,894,505	$4,010,061
Cost Recovery Fee	$667,622	$648,968	$637,557	$734,642	$574,378	$707,606	$824,879	$756,190	$769,964

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

Cost Recovery Fee is the additional amount paid by the debtor to offset the cost to recover debts.

*Charts show only the most recent years due to space constraints.

FY26 Collection and Inventory Summary

AGENCY	Collections	Outstanding Balance	Number of Accounts
Unified Judicial System	$1,872,898	$102,039,603	160,594
Revenue	516,447	26,442,975	2,705
University of South Dakota	415,798	3,615,836	1,327
South Dakota State	291,328	2,251,240	740
Southeast Technical Institute	262,163	1,849,408	978
Black Hills State	176,473	1,480,857	613
Western Dakota Tech Inst.	85,581	974,098	591
Dakota State	85,328	1,695,052	794
Northern State	72,138	384,703	178
Corrections	70,564	7,668,663	3,914
Social Services	47,977	3,575,200	2,484
Mitchell Technical Institute	35,723	184,791	148
Transportation	33,121	1,392,715	263
School of Mines	21,572	313,810	167
Game, Fish & Parks	10,350	168,966	163
All Others	$12,598	$285,549	239
TOTAL	$4,010,061	$154,323,466	175,898

Collection Summary

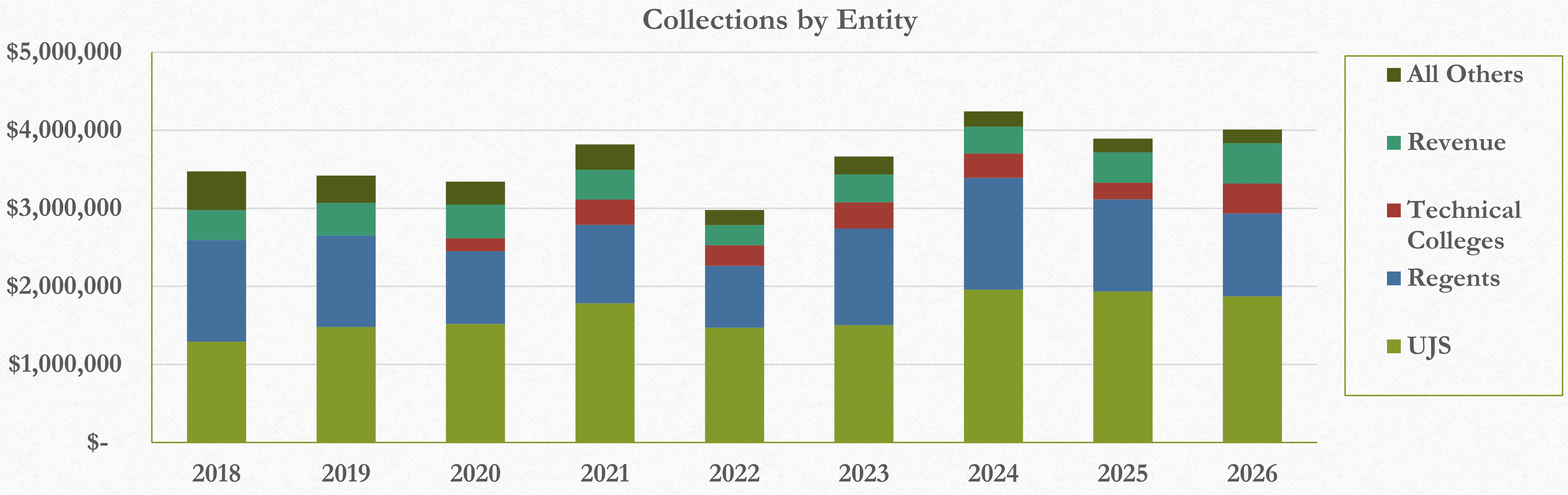
FY26 COLLECTIONS FOR ALL AGENCIES TOTALED $4,010,061.

AT CLOSE OF FY26 A TOTAL OF 175,898 ACCOUNTS WERE IN THE ORC INVENTORY.

THE OUTSTANDING BALANCE OF THOSE ACCOUNTS WAS $154,323,466.

THE ORC IS DEVELOPING PARAMETERS TO DEFINE AND MANAGE ACCOUNTS OF DOUBTFUL COLLECTABILITY.

Annual Collections by Entity



Outside Collection Agency Performance

Year	Accounts Placed	Amount Placed	Amount Collected
2026	35,648	$27,916,226	$92,594
2025	4,031	$5,092,841	$828,509
2024	9,003	$7,965,350	$1,151,003
2023	21,973	$19,096,531	$795,927

- FY25: The original OCA terminated its contract.
- FY26: RFP issued for a new OCA.
- FY26: New OCA begins work in March.
- FY27 collections should increase substantially.

Timeline:

Fiscal Year 2024: A change in personnel requires the OCA to obtain new licensing certifications. Placements to the OCA are suspended during that process.

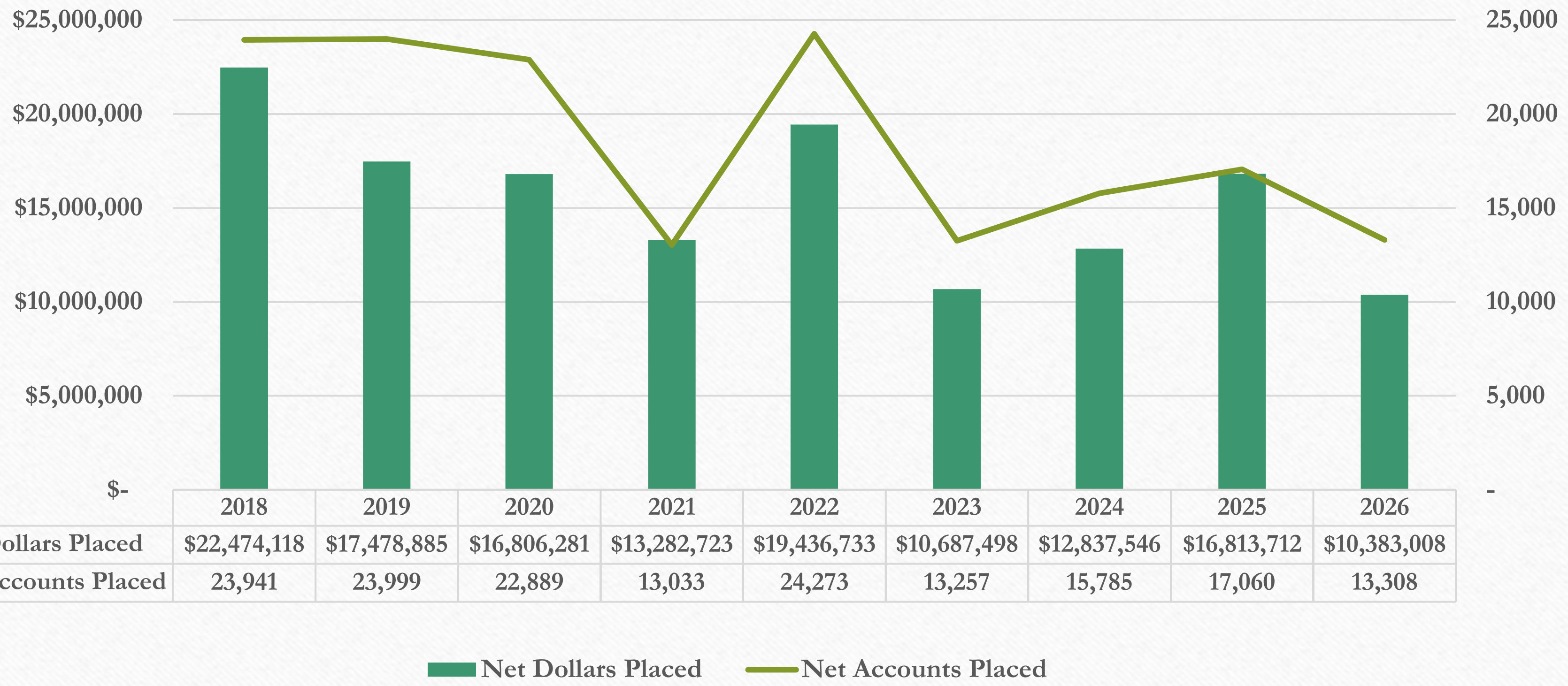
Fiscal Year 2025: OCA opts to terminate its contract. New placements cease in December 2024. The ORC assumes management of accounts previously assigned to the OCA.

Fiscal Year 2026: BHRA issues RFP and chooses Revenue Management Services (RMS) as the new OCA.

New OCA begins work in March. The ORC begins to transfer backlog of accounts eligible for OCA placement.

Fiscal Year 2027: We expect OCA collections to increase.

NET REFERRALS



	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net Dollars Placed	$22,474,118	$17,478,885	$16,806,281	$13,282,723	$19,436,733	$10,687,498	$12,837,546	$16,813,712	$10,383,008
Net Accounts Placed	23,941	23,999	22,889	13,033	24,273	13,257	15,785	17,060	13,308

Net Referrals equals total placements minus total recalls by State Agencies.

Both the number and dollar value of net referrals decreased from prior year.

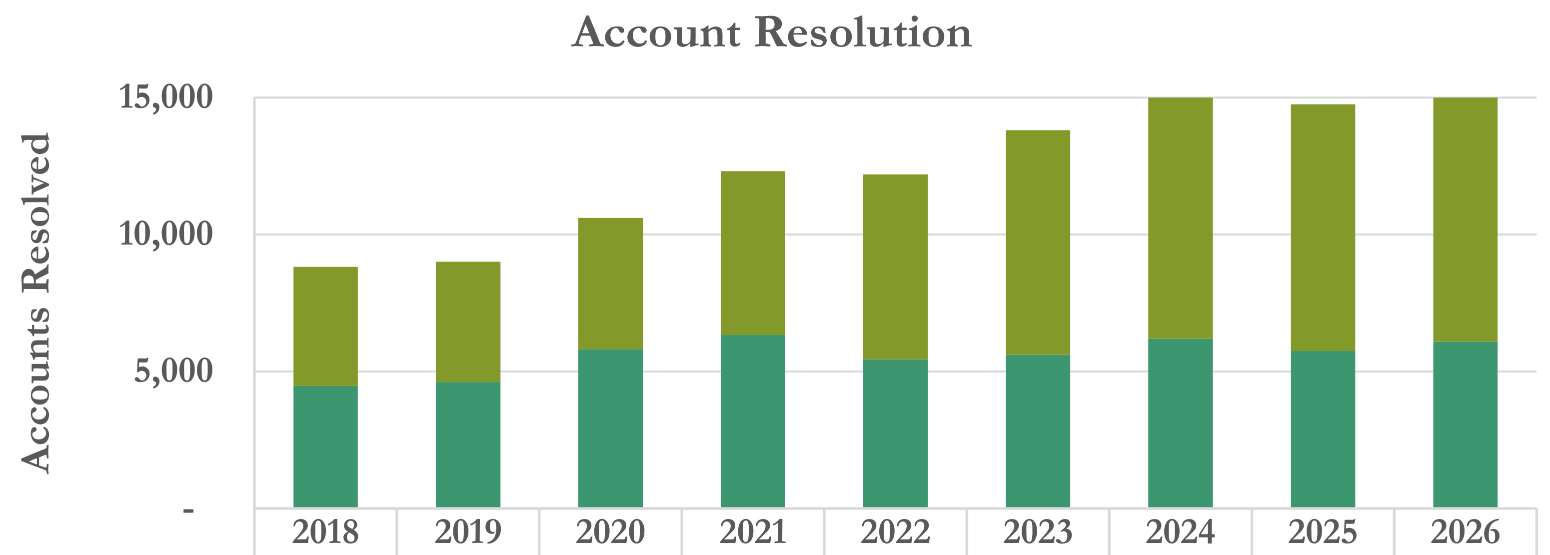
Agencies placed nearly the same number of accounts as prior year but recalled more accounts than in previous years.

PAYMENT PLAN STRATEGY

ORC approach to establishing and maintaining payment plans

- We advocate a customer-centered approach to payment plans. Providing customers with affordable realistic options increases the long-term likelihood of successful repayment.
  - The ORC will establish a pay plan when payment in full is not possible.
  - Education: Customer education is key.
  - Monitoring: Checking in at least every 12 months allows changes based on present financial situation.
  - Service: Customers can call in any time to discuss their pay plan if their situation changes.
- The State and customer both benefit from financial compliance.
  - Outcome: Over the last three years more customers are in affordable pay plans.
  - Outcome: The last three years have been the most successful for generating revenue.
  - Opportunity: Customers can address their financial issues with minimal disruption to their daily life and while continuing to take advantage of privileges provided by the State.
  - Everyone is accountable

PAYMENT PLAN STRATEGY



	2018	2019	2020	2021	2022	2023	2024	2025	2026
Pay Plans	4,347	4,389	4,796	5,985	6,749	8,209	8,809	9,012	8,974
Paid in Full	4,477	4,619	5,807	6,327	5,443	5,603	6,191	5,746	6,088

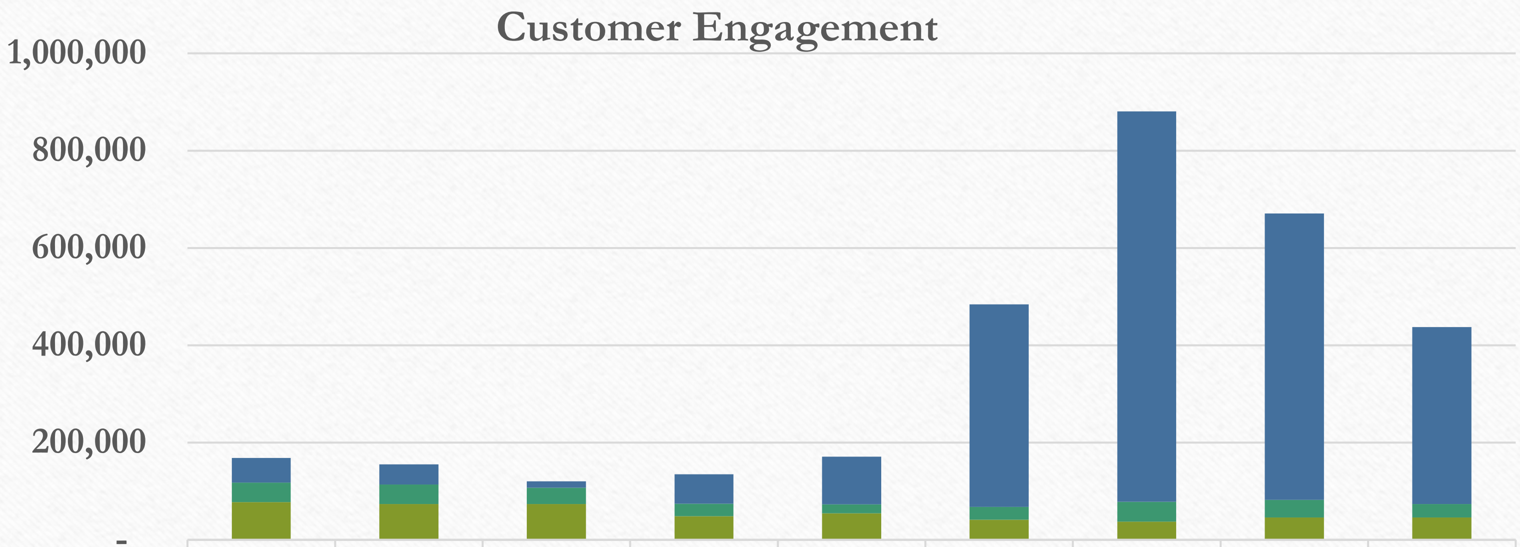
Over the last three years our payment plan strategy has successfully proved that both the State and Customer can benefit from realistic affordable payment options.

CUSTOMER ENGAGEMENT STRATEGY

Focus on Outbound Calling

- Improves:
  - Customer Service: The customer directly interacts with an expert who can immediately answer questions, resolve issues and offer solutions tailored to the customer's specific circumstances.
  - Collection Performance: Provides the customer with appropriate options to resolve the debt immediately.
  - Customer Outcomes: The customer understands their responsibility and the actions required to resolve their debt. (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 accountable

CUSTOMER ENGAGEMENT STRATEGY

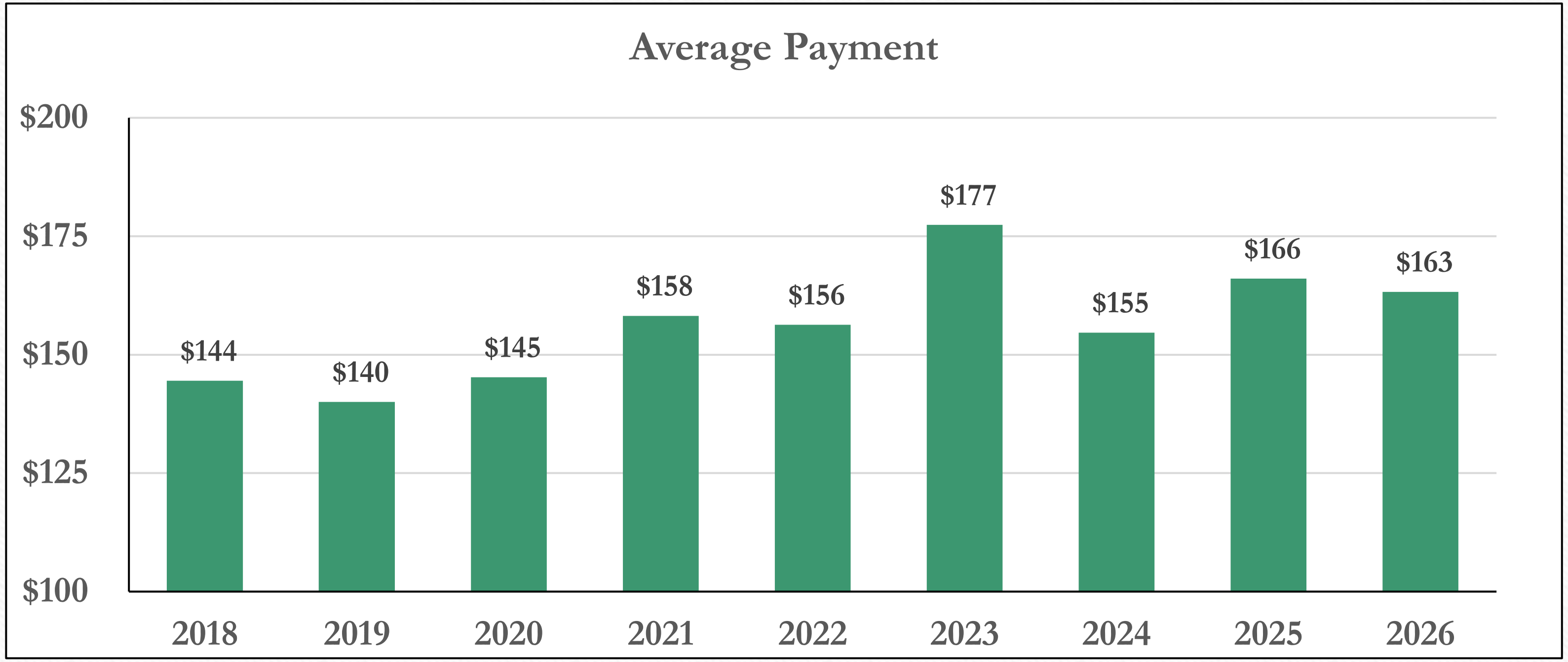


	2018	2019	2020	2021	2022	2023	2024	2025	2026
Outbound Calls	51,054	41,273	13,478	60,500	98,530	416,515	802,115	588,643	364,007
Inbound Calls	39,652	40,212	33,107	25,789	17,872	26,642	41,045	36,003	27,763
Letters Sent	77,825	73,352	73,796	48,507	54,770	41,080	37,221	46,178	45,663

Outbound call trends reflect a proactive strategy to engage with the customer. The goal is to help the customer manage and pay their debt efficiently.

The ORC constantly adjusts the mix of activities to achieve an appropriate level of customer engagement.

PERFORMANCE MEASURES



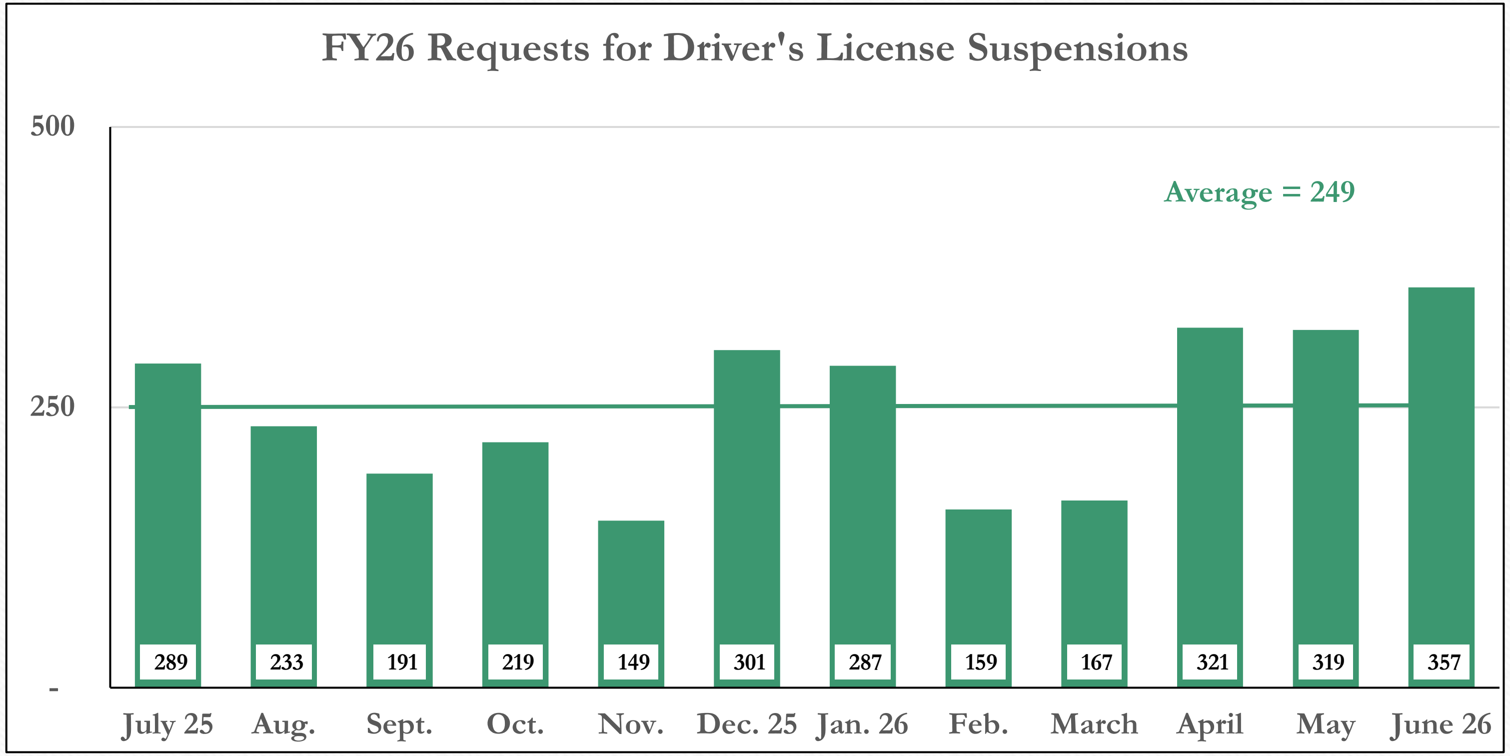
Customer-centered payment plans that are affordable and realistic increase the long-term likelihood of successful repayment.

The average payment has remained consistent over time. The average since inception of the program is $155.

Accounts that are in Payment Plans have an average balance of $958.

Average payment amount equals collections divided by number of payments.

Requests for Driver's License Suspension



- The ORC makes multiple collection attempts before requesting to suspend a Driver's License (DL).
- Many of these accounts will enter a payment plan, prior to their DL being suspended.
- DL sanctions are highly correlated with increased account resolution.
- There have been no requests for a Due Process Hearing in the last three fiscal years.

FY27 INITIATIVES

Goals:

- Improve collection results and the Customer Experience.
- Enhance communication and engagement with agencies. Actively manage and continuously improve collection processes.

Strategies:

- Expand digital-based customer communication channels.
- Create solutions that enhance our ability to provide value added service in our changing business and community environment.
- Develop tools and processes to increase revenue while enhancing the customer experience and the support we provide our partnering agencies.

Actions:

- Develop strategies to fully integrate the new Outside Collection Agency into ORC collection processes.
- Support participating agencies by documenting processes. Support customers by providing opportunities for improved and expanded digital interactions.
- Work with State Agencies to develop strategy for managing accounts on which efforts have been exhausted.

Q&A

Thank you