



OBLIGATION RECOVERY CENTER

FISCAL YEAR 2022 ANNUAL REPORT

OBLIGATION RECOVERY CENTER 2022

The Accounts Receivable Management industry has experienced a roller coaster of trends over the past 2 years, the latest being a reduction in payments on bad debt. Inflation has created an increase in prices that have caused consumers to either stop paying their debt, or lower their payment amount, in order to manage expenses. During 2020 and 2021, the ARM industry noticed a spike in debtor payments due primarily to stimulus checks. Since the stimulus checks have stopped, that trend has reversed. Additionally, the student loan payment pause will be reinstated in January 2023, which could adversely affect the ARM industry further. In 2023, we continue to anticipate uncertainty and hope the economy stabilizes later in the year.



-Margie Brickner, President & CEO of Reliant Capital Solutions

OBLIGATION RECOVERY CENTER 2022

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

FY22 Collection Summary			
<u>Agency</u>	<u>Collections</u>	<u>Outstanding Balance</u>	<u>Outstanding Accounts</u>
Unified Judicial System	\$ 1,469,393	\$ 79,616,181	127,375
Revenue	258,977	16,639,952	2,144
University of South Dakota	254,839	3,601,640	1,347
South Dakota State	236,827	4,268,301	1,286
SE Technical Institute	184,973	1,216,097	637
Black Hills State	139,869	1,671,622	717
Corrections	111,946	7,468,566	3,769
Dakota State Univ.	70,364	1,177,322	584
Western Dakota Tech	56,749	701,768	443
School of Mines	56,349	534,953	186
Social Services	54,182	3,159,549	2,206
Northern State Univ.	35,086	675,122	403
Mitchell Technical Institute	20,650	136,663	92
Game, Fish and Parks	13,139	427,973	203
Transportation	10,782	588,222	245
SD Retirement System	2,750	77,687	1
Environment/Natural Res.	1,625	2,280	9
Labor & Regulation	250	958	5
All others	\$ 0	\$ 171,754	27
TOTAL	\$ 2,978,752	\$ 122,136,610	141,679

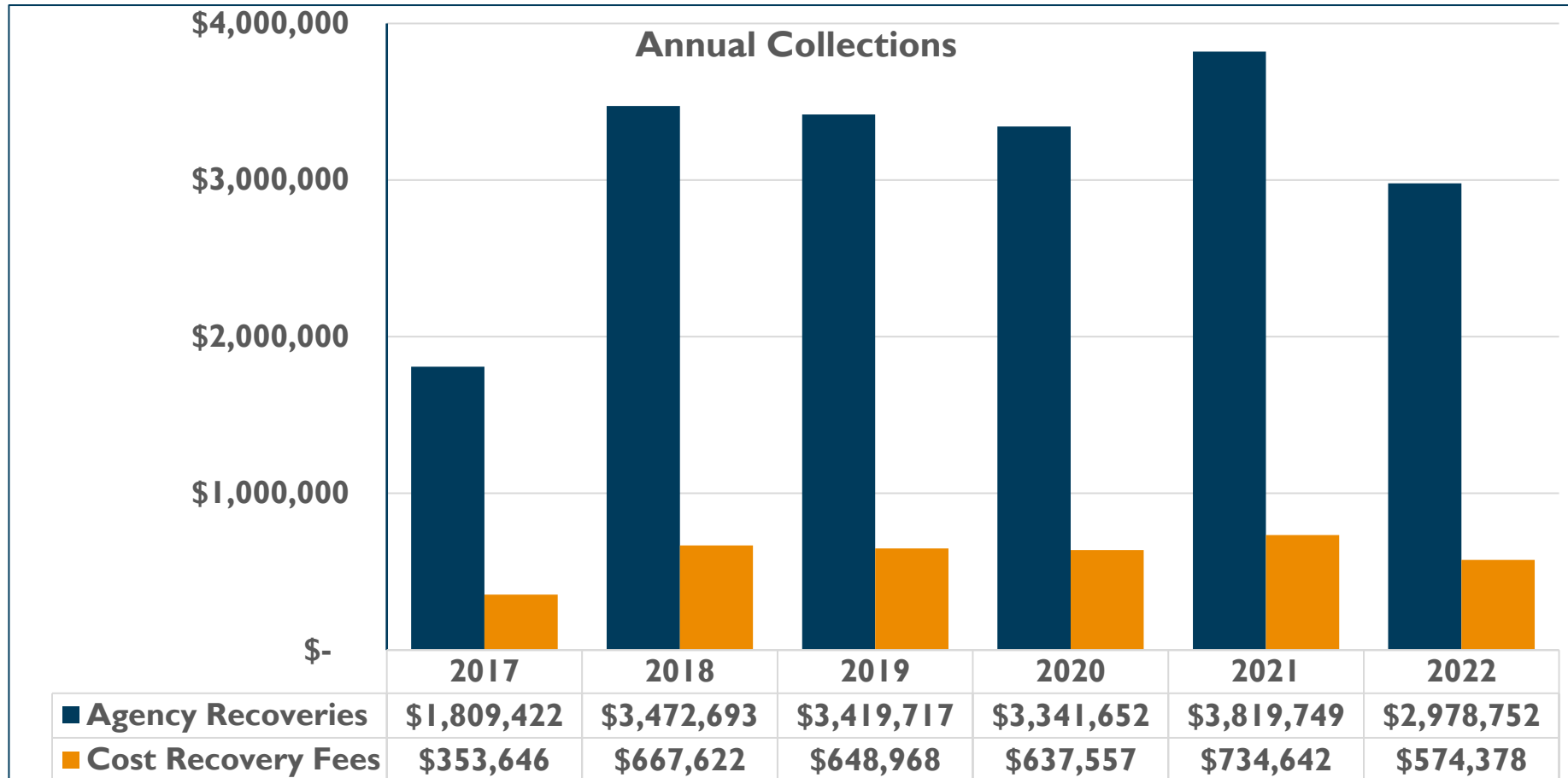
COLLECTION SUMMARY

FY22 COLLECTIONS FOR ALL AGENCIES TOTALED \$2,978,752.

AT THE END OF FY22 A TOTAL OF 141,679 ACCOUNTS WERE BEING COLLECTED BY THE ORC.

THOSE ACCOUNTS HAD AN OUTSTANDING BALANCE OF \$122,136,610

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

	2017	2018	2019	2020	2021	2022
UJS	\$ 895,799	\$ 1,292,073	\$ 1,480,754	\$ 1,518,552	\$ 1,783,365	\$ 1,469,393
Revenue	153,914	380,427	416,154	432,535	383,093	258,977
Regents	270,177	1,302,486	1,170,154	934,266	1,004,370	793,334
Technical Colleges	-	-	-	161,233	324,512	262,373
Corrections	464,353	451,460	262,434	180,091	172,316	111,946
All Others	\$ 25,179	\$ 46,247	\$ 90,232	\$ 114,975	\$ 152,093	\$ 82,729
Net Back to Agencies	1,809,422	3,472,693	3,419,727	3,341,652	3,819,749	2,978,752
Cost Recovery Fees	353,646	667,622	648,968	637,557	734,642	574,378
Total Collections	\$ 2,163,068	\$ 4,140,315	\$ 4,068,695	\$ 3,979,209	\$ 4,554,391	\$ 3,553,130

REFERRALS

Net Referrals to ORC



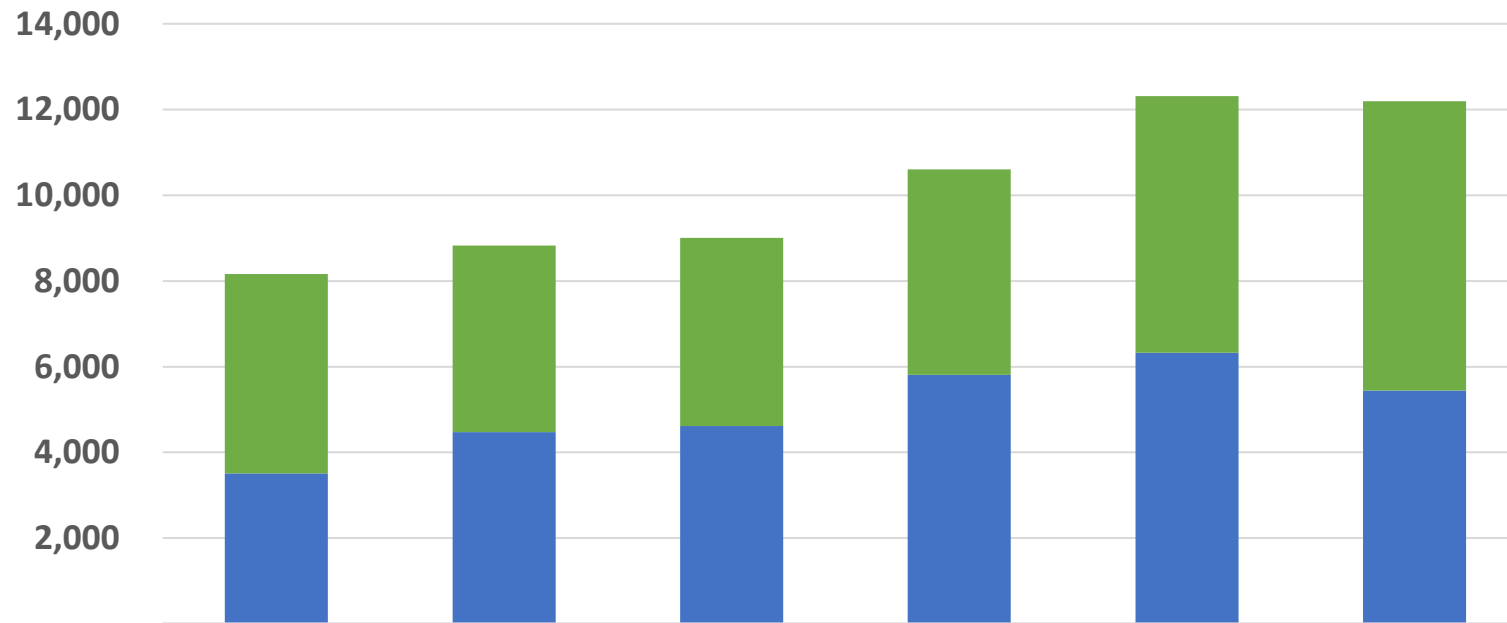
Referrals to the ORC increased in FY22, possibly reflecting increasingly difficult economic conditions for customers.

The average account balance of all referrals was \$844.

This data reflects total referrals less accounts recalled.

PAYMENT PLAN STRATEGY

Account Resolution



■ Payment Plans

■ Paid in Full

2017

2018

2019

2020

2021

2022

4,647

4,347

4,389

4,796

5,985

6,749

3,511

4,477

4,619

5,807

6,327

5,443

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.

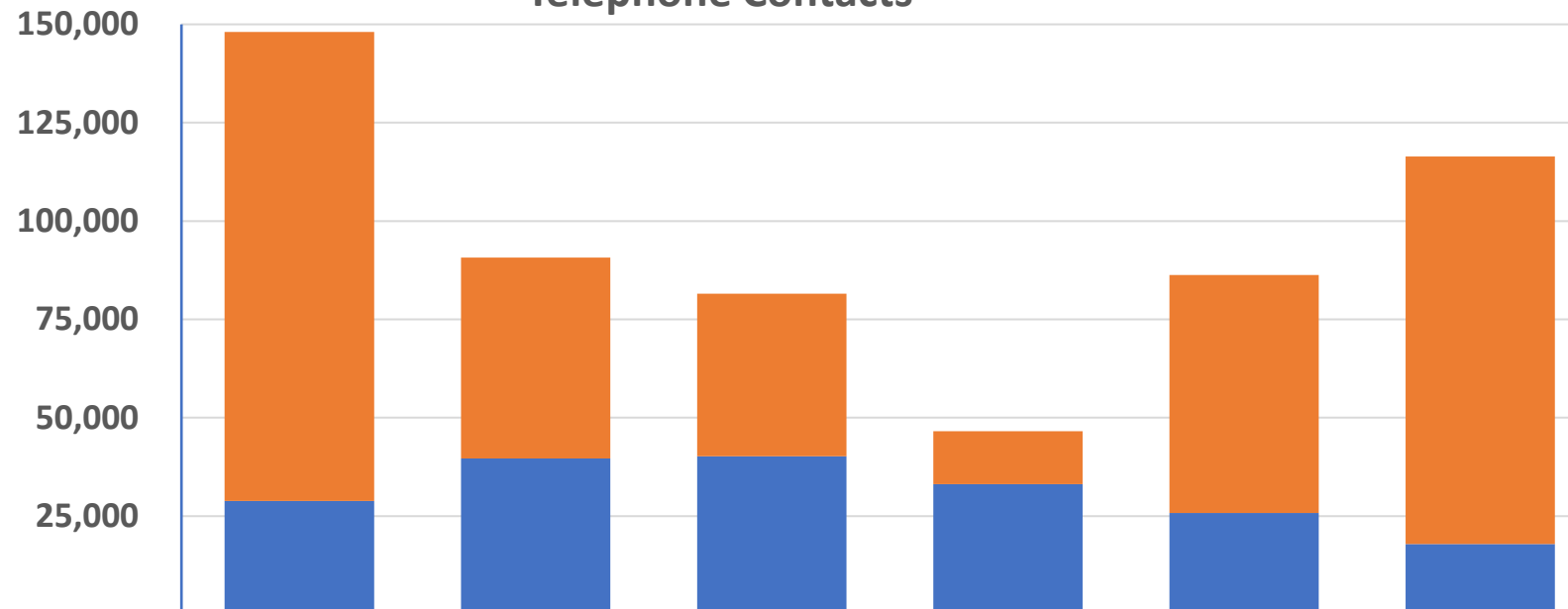
Payment plans help keep customers engaged in achieving compliance without an undue burden.

PAYMENT PLAN STRATEGY

- When payment in full is not achievable what does the ORC do?
- 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



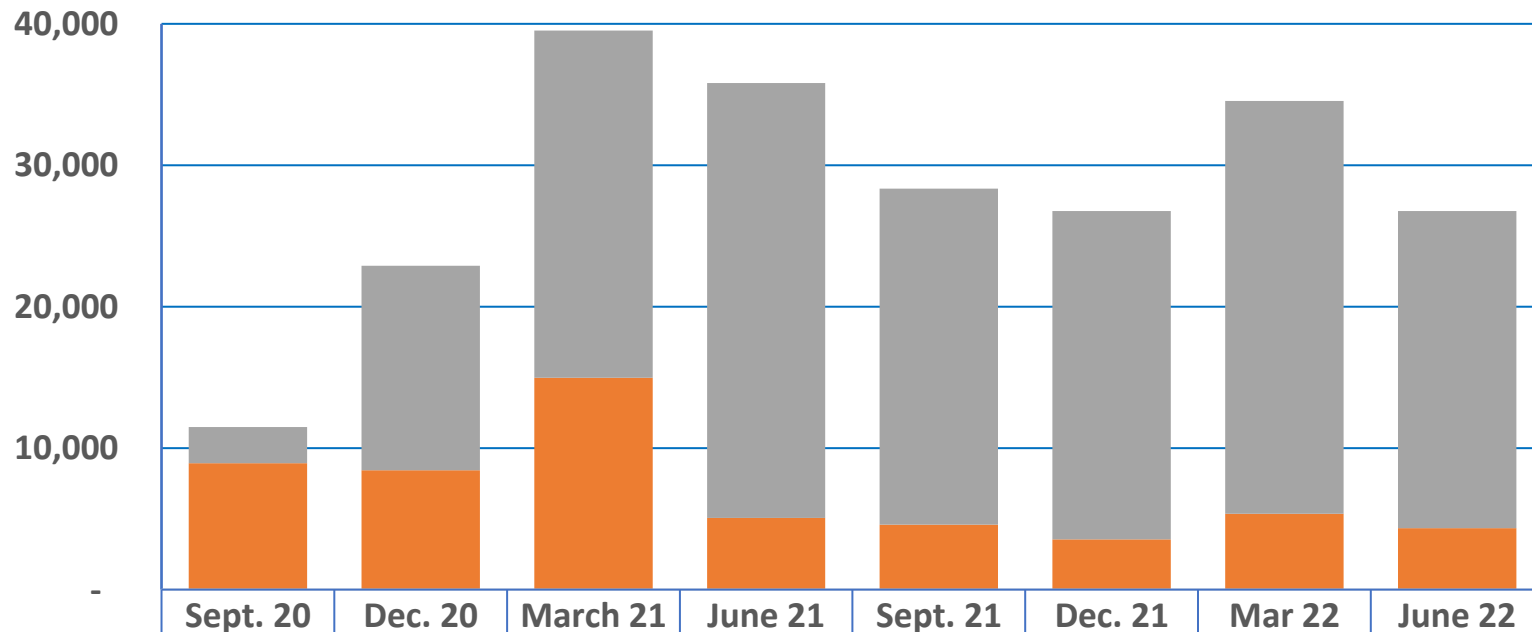
Outbound Attempts	119,210	51,054	41,273	13,478	60,500	98,530
Inbound Calls	28,863	39,652	40,212	33,107	25,789	17,872

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

Quarterly Customer Interactions
Telephone Calls



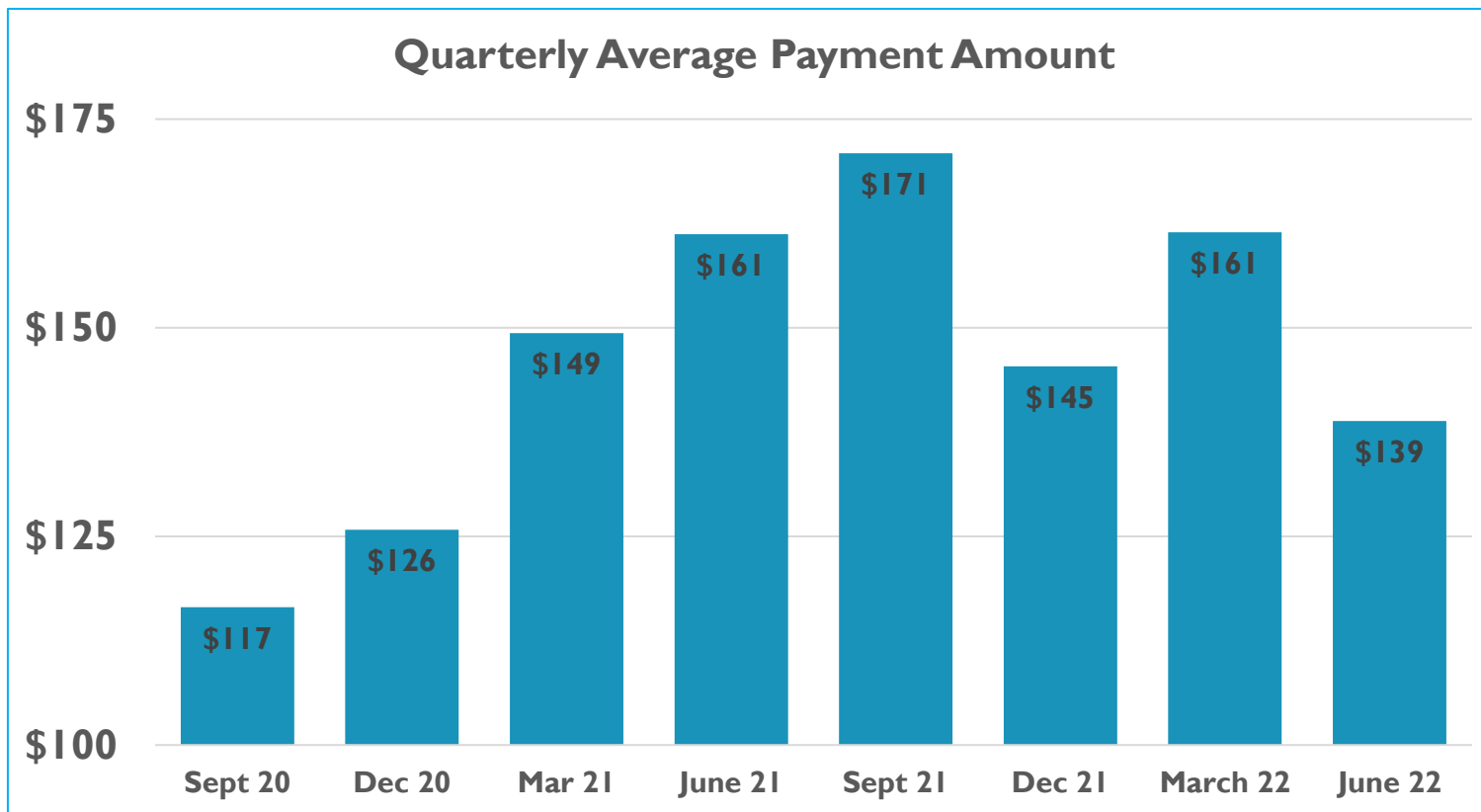
■ Outbound Calls
■ Inbound Calls

Sept. 20	Dec. 20	March 21	June 21	Sept. 21	Dec. 21	Mar 22	June 22
2,559	14,460	24,541	30,743	23,746	23,207	29,165	22,412
8,946	8,440	14,977	5,066	4,590	3,554	5,378	4,350

Our personal experience working in state government and understanding of seasonal trends enables us to accurately gauge when debtors are most capable of addressing their debts. Call activities in the quarters when debtors were receiving their tax refunds and COVID stimulus checks demonstrate this strategy is effective.

This is also shown by the corresponding Average Payment data on the next slide.

PERFORMANCE MEASURES



Results during this reporting period were likely impacted by macroeconomic forces.

The availability of various forms of fiscal stimulus increased household income and likely resulted in improved collections. The end of those programs has made collection more difficult.

Income tax refunds have a seasonal impact in the March quarter of each year.

Average payment amount equals collections divided by number of payments.

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 offering 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

FY23 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 Agency to develop strategy for successfully collecting and/or closing accounts
Prioritize and organize specific collection projects



QUESTIONS