

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Joint Resolution 1 (Delegate Pena-Melnyk, *et al.*)
Rules and Executive Nominations

National Goal of Debt-Free Higher Education

This joint resolution expresses the General Assembly's support of the statewide and nationwide efforts to ensure that students have access to debt-free higher education at public institutions of higher education, including legislation that (1) ensures that all students have access to debt-free higher education; (2) increases financial and structural support to states so that states can increase investments in higher education and lower the costs of education for students; (3) increases financial aid to students so that students do not have to take on debt to pursue higher education; (4) encourages innovation by the State and institutions of higher education to increase efficiency, lower educational costs, and enable students to complete their degrees in a more efficient manner; and (5) reduces the burden of existing student loan debt on students as well as individuals who have graduated.

Fiscal Summary

State Effect: None. The joint resolution does not impact State government operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Background: A report from the Federal Reserve Bank of New York estimates that U.S. student loan debt totaled \$1.20 trillion in the third quarter of 2013. Student loan debt continues to rise and is now the second largest total debt balance after mortgage debt. Student loan debt has almost tripled between 2006 and 2015, and 60% of borrowers have

a balance of greater than \$10,000. Currently, about 42.5 million borrowers have student loan debt, nearly double the number from 10 years ago, with average real debt per borrower increasing from about \$19,000 to \$27,000.

The Federal Reserve notes that factors driving the increase in student loan debt include increased enrollment, rising costs, students staying longer and more often attending graduate school, lower repayment rates, and the difficulty in discharging debt. The Federal Reserve has also expressed concern that high levels of student debt and delinquency reduces borrowers' ability to acquire other types of credit, which may hamper the recovery of the housing market, a key driver of economic growth.

According to the Project on Student Debt, the average debt of 2012 college graduates from Maryland institutions was \$27,457, the twentieth highest in the nation. However, about 58% of these graduates have a student loan debt, which ranked thirty-fourth among all states. These estimates include only public and nonprofit four-year institutions. The Federal Reserve estimates that 16.7% of all Maryland individuals with a credit report have a student loan, compared with 16.2% nationwide. According to the Federal Reserve, the average Maryland student loan borrower reported a balance of \$28,330, above the national average of \$24,800 and the highest of any state.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Federal Reserve Bank of New York, Project on Student Debt, Department of Legislative Services

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