

**Department of Legislative Services**  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 419  
Appropriations  
(Delegate Luedtke)

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**Higher Education - Report on Collection Practices for Unpaid Fees and Services**

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This bill requires public, private, and for-profit institutions of higher education to collect specified data on unpaid fees and services owed by current students and graduates, including the number of academic transcripts, grade reports, diplomas, and any other information related to coursework or educational degrees withheld by an institution due to a student's unpaid fees and services. Each institution must annually submit the data to the Maryland Higher Education Commission (MHEC). By December 1 of 2020, 2021, and 2022, MHEC must report to the General Assembly on the data collected under the bill. **The bill takes effect July 1, 2020, and terminates June 30, 2023.**

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**Fiscal Summary**

**State Effect:** Public four-year institutions and Baltimore City Community College (BCCC) expenditures may increase due to one-time programming costs or annual fees to third-party services, as explained below. Programming costs are likely absorbable at most institutions. Public four-year institution revenues (and those for BCCC) may decrease minimally, as explained below. MHEC can likely report the required data using existing resources.

**Local Effect:** Local community college expenditures may increase due to one-time programming costs or annual fees to third-party services, as explained below. Programming costs are likely absorbable at most institutions. Local community college revenues may decrease minimally, as explained below.

**Small Business Effect:** None.

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## Analysis

**Current Law/Background:** When a student fails to fulfill his or her financial or administrative obligations to a postsecondary institution, an institution often withholds the release of the student's academic transcripts, grade reports, and diplomas. These obligations might include education loans (*e.g.*, defaulting on institutional loans, Perkins loans, and Stafford loans), participation in exit counseling, unpaid fines (*e.g.*, for parking tickets or failure to return library books), and other indebtedness (*e.g.*, unpaid tuition and fees). Withholding educational documents is one of the primary methods institutions utilize to encourage a student or former student to fulfill financial and administrative obligations.

**State/Local Revenues:** To the extent public four-year institutions, BCCC, and local community college need to bring transcript, grade report, and diploma systems in-house to track the number of transcript requests withheld, third-party revenues decrease. St. Mary's College of Maryland (SMCM) reports that its \$20,000 of annual transcript fee revenue through a third-party service provider is potentially at risk. Loss in revenues was not indicated by other institutions, but depending on their transcript systems, there may be an impact. Some of that lost revenue may be completely or partly offset by revenue from a custom in-house solution; however, any in-house system may be more costly to operate. Overall, any revenue decrease is anticipated to be minimal.

**State/Local Expenditures:** SMCM, the University of Maryland Baltimore County, and Frostburg State University reported they were unable to report *all* the information required under the bill using existing computer programs. Other institutions not listed may also need to update their computer systems.

As a result, a number of public four-year institutions, BCCC, and local community college expenditures may increase, due to one-time programming costs or annual fees to third-party service providers for various computer systems operated or contracted by the institutions related to unpaid fees and academic documents, including transcripts. Some systems may require a one-time update while others may require an additional annual report (at an additional cost) from a third-party service. Some institutions' systems may be able to produce the required reports without any system updates; however, those that may be able to do so are unknown at this time.

Required programming costs cannot be reliably estimated at this time but are likely absorbable by most institutions. To the extent that the programming is done in-house, staff resources will be redirected from current projects.

This bill alone does not necessitate additional resources for MHEC; however, to the extent multiple bills are enacted that add administrative requirements for MHEC, additional staff resources will be needed.

**Additional Comments:** Private nonprofit and for-profit institutions may also have one-time or ongoing programming costs to update their computer systems to meet the reporting requirements of the bill. These costs cannot be reliably estimated at time but are likely absorbable by most institutions.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission; Baltimore City Community College; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Department of Legislative Services

**Fiscal Note History:** First Reader - February 7, 2020  
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