

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 248

(Senator Kramer, *et al.*)

Education, Energy, and the Environment

Appropriations

**Institutions of Higher Education - Transcripts - Prohibition on Punitive
Measures Related to Student Debt**

This bill prohibits an institution of higher education from refusing to provide a current or former student with a transcript or taking other punitive measures regarding a student's transcript request because the student owes a debt to the institution. A debt does not include the fee, if any, charged to a student for the actual costs of providing a transcript; however, an institution may not charge a higher transcript fee to a student who owes a debt. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Public four-year institution, Baltimore City Community College (BCCC), and Central Collection Unit (CCU) collection revenues decrease, potentially significantly, as explained below. Forgone institutional revenue may be partially offset by increasing tuition and fees for future students. Expenditures are not materially affected.

Local Effect: Local community college collection revenues decrease, potentially significantly, as explained below. Forgone revenue may be partially offset by increasing tuition and fees for future students. Expenditures are not materially affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: "Debt" is defined to include (1) credit extended by or on behalf of the institution that a student is obligated to repay and (2) a nonfederal loan or debt agreement

issued expressly for postsecondary education expenses that is guaranteed by an institution or a private educational lender affiliated with an institution. “Debt” does not include the fee, if any, charged to a student for the actual costs of providing a transcript.

Current Law: “Institution of higher education” is defined as an institution of postsecondary education that generally limits enrollment to graduates of secondary schools and awards degrees at either the associate, baccalaureate, or graduate level. It includes public, private nonprofit, and for-profit institutions.

According to the University System of Maryland (USM) [Policy VIII-2.20 Policy on Payment of Tuition and Fees](#), if timely payment is not received by an institution, appropriate administrative action, such as barring attendance or withholding transcripts and grades, must be initiated. Further, the USM website states that students must be in satisfactory financial standing with their school in order to receive transcripts.

Federal law does not directly address withholding transcripts. The Family Educational Rights and Privacy Act generally has been interpreted to require institutions to provide a student with *one unofficial* copy of the academic transcript. However, the U.S. Department of Education has published guidance indicating that institutions are permitted, even encouraged, to withhold academic transcripts in cases involving default of Title IV loans, but they are not required to do so. In October 2022, the Consumer Financial Protection Board found that colleges that *lend directly* to their students cannot later refuse to release a student’s transcript as a method of persuading them to make loan payments.

State/Local Revenues: To the extent public four-year institutions of higher education, BCCC, and local community colleges are unable to collect debts due to the bill, State and local higher education revenues decrease. Likewise, to the extent CCU is unable to collect student debt sent to it for collection due to the bill, CCU special fund revenues decrease.

While the Department of Legislative Services has not been provided information on the total amount of debt owed by students who attend or attended public higher education institutions in the State, limited information is available to suggest that the revenue loss may be significant, as detailed below:

- The University of Maryland, College Park Campus (UMCP) advises that the ability to withhold transcripts is a critical tool for collecting delinquent student debt and, without it, nonpayment and delinquency will increase. In 2022, UMCP advised that it places unpaid student account balances with CCU the semester following the student’s last semester of enrollment. That CCU portfolio included more than 44,500 accounts with an unpaid balance of \$1,000 or less, totaling \$6.4 million, and more than 9,900 accounts with an unpaid balance of more than \$1,000, totaling \$54 million. UMCP further advised that it currently allows enrolled students with a

balance of less than \$250 to obtain their transcript without restriction. Transcript holds are placed each semester beginning approximately one month after the first day of classes when financial penalties are assessed. UMCP students enrolled in 2022 with a transcript hold included more than 2,350 students with an unpaid balance of \$1,000 or less, totaling \$440,000, and more than 750 students with an unpaid balance of more than \$1,000, totaling \$15.3 million.

- Towson University and University of Maryland Global Campus advise that student debts will be more difficult to collect under the bill. However, the lost revenue is difficult to quantify.
- In 2022, the University of Maryland, Baltimore Campus (UMB) advised that it had almost 1,000 unpaid balances of \$999 or less and more than 250 unpaid balances greater than that.
- In 2022, Salisbury University advised that almost 400 students had a cashier hold that prevented them from ordering a transcript; almost 60 of those balances were below \$1,000. If a student has a formal payment arrangement, a hold (that would prevent them from receiving a transcript) is not placed.
- In 2022, St. Mary's College of Maryland advised that, as of June 30, 2021, 33 students owed a total of \$74,000 in outstanding balances on their accounts.
- BCCC advises that, between 2015 and 2019, its students accumulated \$5.0 million in past-due receivables, of which \$3.6 million was collected with the assistance of withholding transcripts. More recently, BCCC has used federal funds provided in response to the pandemic to provide financial assistance to students with past-due balances; however, these funds will no longer be available after June 30, 2023.

Nevertheless, the actual revenue impact cannot be reliably estimated. It is unclear to what extent preventing individuals from obtaining their transcript increases collections. Even when transcripts are held as collateral, all debts are not collected. For example, the University of Baltimore advised in 2022 that it currently writes off approximately 10% of debts and expects the percentage of uncollected debt to increase under the bill. However, UMB reports less than a 1% rate on uncollectable tuition and fees. Thus, UMB advises that the bill has no fiscal impact on the institution. Some education researchers have postulated that preventing students from obtaining their transcript does not necessarily increase debt collections, as it prevents students from earning degrees and obtaining higher paying jobs.

If the impact on revenue collections is significant, public institutions of higher education may need to find other ways to collect debt from students or shift unpaid balances onto future students. For example, institutions could charge future students higher fees.

Additional Comments: Private nonprofit institutions are also subject to the requirements of the bill. Thus, private nonprivate institutions' revenues may decrease, potentially significantly. As with public institutions, private institutions may need to find other ways to collect debt from students or shift unpaid balances onto future students.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 152 of 2022.

Designated Cross File: HB 384 (Delegate Smith, *et al.*) - Appropriations.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Baltimore City Community College; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Maryland Independent College and University Association; Department of Legislative Services

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