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Fiscal Note

Drafting Number:	LLS 22-0259	Date:	January 26, 2022
Prime Sponsors:	Rep. Bacon; Ricks Sen. Pettersen	Bill Status:	House Education
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Bill Topic: PROHIBITING TRANSCRIPT & DIPLOMA WITHHOLDING

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill prohibits an institution of higher education from withholding a transcript or diploma from a student because the student owes a debt to the institution. Beginning with FY 2022-23, the bill may minimally impact state revenue and increase state workload.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

The bill prohibits institutions of higher education from withholding a transcript or diploma from a current or former student on the grounds that the student owes a debt. Schools may not charge a higher fee or provide less favorable treatment to indebted students requesting a transcript or diploma, and may not use a transcript or diploma as a tool for debt collection. The bill applies to public and private institutions of higher education, and to private occupational schools.

The bill grants students a private right of action against an institution that commits a violation. If a court finds that an institution has violated the prohibition, the school can be compelled to comply and the student is entitled to a civil penalty of up to \$500, plus attorney fees and costs. The Department of Law (DOL) is authorized to take action to ensure compliance with the bill under the Uniform Consumer Credit Code, including assessing a penalty of \$500 for each violation.

Background

Withholding transcripts and transferring debt to collection agencies are policies used by most, if not all, private and public institutions of higher education in Colorado. Institutions place holds on student accounts for a variety of reasons, including unpaid fines, or unpaid tuition and fees. Many state

schools make exceptions to these policies on a case by case basis. State supported institutions of higher education recoup millions of dollars annually via debt collection policies. According to information collected by the Department of Higher Education, state institutions reported that about \$242 million in student debt was recouped in FY 2019-20 from transcript withholding.

State Revenue

The bill may impact revenue to institutions of higher education, as state supported institutions will forego some amount of revenue from student debt collections. While state institutions recouped student debt from transcript withholding in the past, the fiscal note assumes that institutions will use other debt collection efforts in the future. However, by removing an existing tool used to compel collections, some lost revenue is expected. The actual impact on individual institutions has not been estimated. Tuition revenue is not subject to TABOR.

The bill may minimally increase state revenue from fines charged in district court or imposed by the Administrator of the Uniform Consumer Credit Code in the DOL. This fiscal note assumes a high degree of compliance by institutions of higher education, and that instances of fine revenue will be minimal. Fine revenue is subject to TABOR and could minimally impact TABOR refunds paid from the General Fund.

State Expenditures

Beginning in FY 2022-23, the bill increases state workload in the Judicial Department and Department of Law by a minimal amount.

Judicial. By creating a civil right of action, the bill could increase cases filed in the district courts. This fiscal note assumes a high degree of compliance by institutions of higher education, and increases in court cases are anticipated to be minimal and absorbable within existing appropriations.

Department of Law. The bill is not anticipated to require a significant amount of legal advice from the DOL to institutions. Further, any actions taken by the administrator of the Uniform Consumer Credit Code within the DOL are expected to be minimal and can be accomplished with existing appropriations.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Higher Education

Judicial

Law