

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 616
Appropriations

(Delegate Bobo, *et al.*)

Institutions of Higher Education - Policies and Programs Related to Student
Credit and Credit Card Marketers

This bill requires the Maryland Higher Education Commission (MHEC) to establish a written policy by January 1, 2006 regarding on-campus student credit card solicitations for institutions of higher education in Maryland. In addition, the institutions must provide educational programs on the responsible use of credit as part of their on-campus freshman orientation programs. In developing the on-campus credit card solicitation policy and responsible use of credit educational programs, MHEC and institutions of higher education must: (1) receive public input from students, parents, and higher education administrators; and (2) hold public hearings.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: Higher education revenues could decrease at the University of Maryland, College Park (UMCP) due to potential conflicts with existing contracts. Higher education expenditures could increase minimally at every institution to add credit card education to orientation programs. MHEC could adopt and publish the required credit card policy with existing resources.

Local Effect: Community college expenditures could increase minimally to adopt and implement educational programs on the responsible use of credit.

Small Business Effect: Minimal. Private institutions of higher education could incur expenditure increases to develop and offer courses on the responsible use of credit.

Analysis

Bill Summary: The credit card solicitation policy established by MHEC must: (1) apply uniformly to all institutions of higher education in Maryland; (2) declare that an institution may not sell, distribute, or disclose personally identifiable information of a current undergraduate student for commercial use without the prior written consent of the student; (3) govern the time, location, and frequency of on-campus credit card solicitations; (4) prohibit the offering of gifts or other incentives in connection with credit card marketing efforts; (5) specify the penalties for violating the policy and provide for the publication of the penalties; and (6) require every institution that allows on-campus solicitation by a credit card marketer to adhere to the policy.

Current Law: In general, the governing board of each institution of higher education sets policies for the institution. Although many institutions of higher education offer educational programs on the responsible use of credit, they are not required by statute to do so.

State Revenues: Higher education revenues for at least one University System of Maryland (USM) institution, UMCP, could decrease. UMCP currently contracts with a bank to provide on-campus banking services, and the bank solicits credit card applications. Depending on the policies set by MHEC, the contract might require changes that could affect UMCP revenues.

In addition, a credit card company currently contracting with the UMCP Alumni Association provides gifts to individuals who apply for credit cards, a practice that would be prohibited under the bill. This could result in the restructuring or termination of the contract.

The loss of revenue for UMCP cannot be reliably estimated. A loss of revenues would not be experienced by any of the other institutions of higher education in Maryland at this time. However, the bill could limit any future contracts with credit card companies that institutions might pursue.

State Expenditures: Higher education expenditures at public four-year institutions could increase to provide educational programs to freshman on the responsible use of credit. Many institutions already offer these programs on a voluntary basis, but additional costs would be incurred to expand the programs for inclusion in on-campus orientation programs. The costs for any one institution would most likely be minimal.

Local Expenditures: Community college expenditures could increase minimally to develop and implement educational programs on responsible use of credit.

Additional Information

Prior Introductions: HB 1373 of 2002 and HB 959 of 2001 would have required companies issuing credit cards on university and college campuses to provide educational programs on the responsible use of credit cards. The bills also would have prohibited credit card marketers from offering gifts and incentives to credit card applicants. HB 875 of 2001 would have required MHEC to adopt written guidelines for on-campus credit card solicitations. All three bills received unfavorable reports from the House Commerce and Government Matters Committee.

HB 819 of 2001 would have prohibited public institutions of higher education from selling, distributing, or disclosing personally identifiable information of a present or former student for commercial use without the permission of the student. The bill received an unfavorable report from the House Appropriations Committee.

Cross File: None.

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

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