

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 63

(Chair, Education, Health, and Environmental Affairs  
Committee)(By Request - Departmental - Higher  
Education Commission)

Education, Health, and Environmental Affairs

Appropriations

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**Maryland Higher Education Commission - Institutional Renewal Fees and  
Religious Educational Institutions**

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This departmental bill clarifies and alters the conditions under which the Maryland Higher Education Commission (MHEC) may authorize religious educational institutions to operate without a certificate of approval. The bill authorizes MHEC to impose renewal fees on an institution of postsecondary education seeking certification and application or renewal fees on an institution of postsecondary education seeking exemption from certification; these fee revenues are distributed to the same special fund that receives application fee revenues. A religious educational institution authorized to operate without a certificate of approval must disclose that the institution does not have a certificate of approval on all transcripts, catalogs, advertisements, and publications. Finally, the bill adds to the list of written acknowledgements that must be made by a student regarding the limitations of the instructional program of the institution prior to enrollment.

The bill takes effect July 1, 2013.

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**Fiscal Summary**

**State Effect:** Special fund revenues increase by an estimated \$900 annually beginning in FY 2014 due to \$50 renewal fees from about one-half of the 35 religious institutions seeking an exemption from certification renewing each year under a biennial renewal cycle. Potential minimal increase in general fund revenues due to the bill's penalty provision. MHEC can handle any additional responsibilities with existing budgeted resources.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$900	\$900	\$900	\$900	\$900
Expenditure	0	0	0	0	0
Net Effect	\$900	\$900	\$900	\$900	\$900

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** MHEC has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Bill Summary:** The conditions under which MHEC may authorize religious educational institutions to operate without a certificate of approval are clarified and altered. Specifically, an exempt institution may not offer instruction in nonsectarian or general education. In addition, a religious educational institution that is accredited by an accrediting body recognized by the U.S. Department of Education may not operate without a certificate of approval from MHEC.

Each religious educational institution authorized to operate without a certificate of approval must submit to MHEC a renewal application every two years that includes a copy of the current catalog of courses.

Before enrollment, a religious education institution exempt from certification must give written notice to, and obtain written acknowledgment from, a student that the State licensing boards are not required to recognize a religious counselor program as a prerequisite of licensure. As applicable, a religious institution must also give notice and receive acknowledgement from a potential student that the institution is not accredited or is accredited by an accrediting body that is not recognized by the U.S. Department of Education.

MHEC must adopt regulations establishing procedures and standards for the submission and evaluation of the application for exemption and renewal application submitted by religious educational institutions.

**Current Law:** Most institutions of postsecondary education must obtain a certificate of approval from MHEC before they are allowed to operate in the State. However, certain institutions are exempt from obtaining a certificate of approval from MHEC. These institutions are either operating under a charter from the General Assembly or religious

institutions meeting certain qualifications. MHEC grants a certificate of approval exemption after an institution demonstrates it meets the requirements to qualify for an exemption.

To qualify for an exemption, the institution must (1) be founded and operated by a church or other religious institution or organization of churches or religious institutions as an integral part of the religious ministry of that institution or organization; (2) offer sectarian instruction only designed for and aimed at persons who hold or seek to learn the particular religious faiths or beliefs taught by the institution; and (3) state on the certificate or diploma the religious nature of the award.

MHEC may require an application fee from an institution of postsecondary education seeking certification; these fee revenues are distributed to a special fund.

Each religious educational institution authorized to operate without a certificate of approval must submit to MHEC a financial statement reviewed by an independent accountant retained by the institution every two years.

A person may not enroll a student in the institution unless the person gives written notice that the student acknowledges certain limitations of the instructional program. The written acknowledgement obtained from a student must be in a form approved by MHEC, signed by both the student and a representative of the institution, and permanently retained in the student's file by the institution.

The written notice must acknowledge that the exempt institution's instructional program is only designed for people seeking to learn about the particular religious faith; an institution of higher education is not required to accept credits earned at the exempt institution for transfer; an institution of higher education is not required to recognize an award earned at the exempt institution; and a potential employer may determine that an award earned at the exempt institution does not meet minimum educational requirements. A violator is subject to a fine of up to \$5,000 for each violation.

**Background:** MHEC reports that there are students who are unaware of the difference between a fully accredited school and an exempt religious educational institution until the student is unsuccessful in transferring credits to a fully accredited institution of higher education or qualifying for employment. Many of these students are first generation college students.

MHEC reports that there are 35 exempt religious educational institutions operating in the State. The Maryland Independent College and University Association reports that two of its members may be affected by the bill.

**State Revenues:** MHEC reports that it intends to charge a \$50 renewal fee biennially for institutions exempt from certification and that about one-half renew each year. Therefore, special fund revenues increase by an estimated \$900 in fiscal 2014 and \$850 in fiscal 2015 due to the \$50 renewal fees from 35 religious institutions seeking an exemption from certification.

MHEC further advises that, because it already charges application fees for these institutions, the authority for that fee under the bill is codifying current practice. Likewise, the authority to impose renewal fees for institutions of postsecondary education seeking certification under the bill codifies current practice.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City Community College, Maryland Higher Education Commission, Maryland Independent College and University Association, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - January 14, 2013  
mc/rhh Revised - Senate Third Reader - March 22, 2013

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Higher Education Commission – Religious Educational Institutions

BILL NUMBER: SB 63

PREPARED BY: Maryland Higher Education Commission

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

☒ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

☐ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.