

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1130  
Appropriations

(Delegate D. Barnes)

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**Higher Education – For-Profit Institutions – Standards for Operation**

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This bill exempts specified for-profit institutions of higher education and private career schools from the requirement that 10% of their annual revenue be from a source other than federal funds. An institution or school is exempt if it maintains, during the previous year, *either* (1) retention or graduation, placement, and credentialing rates of 70% or greater, as specified *or* (2) a cohort default rate of 25% or less. These rates are as reported in the institution or school's annual report to its institutional accreditor. If an institution or school fails to meet either of the two outcome-based sets of standards established by the bill, then the institution or school is subject to the 10% nonfederal revenue requirement and the enrollment penalty for failure to meet the revenue requirement that begins in fiscal 2023. **The bill takes effect July 1, 2021.**

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**Fiscal Summary**

**State Effect:** The Maryland Higher Education Commission (MHEC) can adopt the required regulations and likely review additional financial information using existing resources. This estimate assumes that institutions submit the required information in a format requested by MHEC. To the extent that MHEC must confirm data submitted, MHEC expenditures may increase. Revenues are not directly affected.

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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## Analysis

**Bill Summary:** The bill applies to a for-profit institution of higher education approved to operate in the State, a for-profit institution that enrolls Maryland residents in a fully online distance education program in the State, and a for-profit private career school approved to operate in the State. An institution or school must also (1) be approved by MHEC to receive education assistance under the federal Post-9/11 Veterans Educational Assistance Act of 2008 and (2) have received funds to pay for students' tuition, fees, or other institutional charges through Title IV of the federal Higher Education Act of 1965 during the prior academic year.

Specifically, an institution or school must, as reported on its annual report to its institutional accreditor, maintain during the previous year:

- a retention rate of 70% or greater or a graduation rate of 70% or greater;
- an in-field career placement rate of 70% or greater; and
- a required credentialing rate of 70% or greater.

Alternatively, the institution or school must report a cohort default rate of 25% or less.

If an institution or school cannot maintain either of those two sets of standards established by the bill, then it is subject to the current requirement that 10% of its annual revenue be from a source other than federal funds and the current enrollment penalty for failure to meet the revenue requirement.

**Current Law:** A federal rule known as 90/10 caps the share of revenue for-profit institutions of higher education and private career schools can take in from federal student aid at 90%; however, the cap exempts federal tuition benefits for veterans and active members of the U.S. military (and their spouses and financially dependent children) because the law only applies to federal Title IV education funds.

Chapter 546 of 2020 (Veterans' Education Protection Act) establishes that, beginning in fiscal 2023, specified for-profit institutions of higher education and private career schools are prohibited from enrolling new Maryland residents in a program if they fail to have at least 10% of their annual revenue, as specified, from a source other than federal funding, including education aid (civilian or military), or institutional debt. The 10% threshold applies to either (1) two out of three of the immediately preceding fiscal years or (2) two consecutive years.

**Small Business Effect:** Many private career schools are small businesses. Private career schools that meet *either* the retention or graduation, placement, and credentialing rates *or*

the cohort default rate established under the bill are *not* subject to the revenue requirement and enrollment penalty established by Chapter 546 of 2020. Thus, likely fewer private career schools will need to close or find another source of revenue. It is unknown how many schools this bill may impact; however, the number affected and related impact could be significant.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2021  
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