

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 522
Appropriations

(Delegate Lopez, *et al.*)

Institutions of Postsecondary Education - Institutional Debt - Report

This bill requires institutions of postsecondary education to report on institutional debt (*i.e.*, an extension of credit, a debt, or an obligation owed or incurred by a student to an institution of postsecondary education), as specified, to the Maryland Higher Education Commission (MHEC) by October 1, 2024, and each October 1 thereafter. By December 1, 2024, and each December 1 thereafter, MHEC must submit a report to the General Assembly summarizing the reports. MHEC may assess a civil penalty up to \$10,000 (per violation) against an institution of postsecondary education if the institution fails to submit a report under the bill or knowingly includes inaccurate information in the report as determined by MHEC. Before assessing a penalty, MHEC must send the institution a notice of charges, as specified, against the institution and give the institution an opportunity to request a hearing. The bill also establishes related hearing procedures. MHEC must adopt regulations to implement the bill. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Public four-year institutions, and potentially Baltimore City Community College (BCCC), higher education expenditures increase significantly – likely by hundreds of thousands of dollars – in FY 2024 to update financial data reporting systems; beginning in FY 2025, reporting costs are lower but still meaningful for some institutions. Likewise, Central Collection Unit (CCU) special fund expenditures may increase, potentially significantly, in FY 2024, with ongoing but lower costs beginning in FY 2025. Beginning in FY 2025, MHEC general fund expenditures increase minimally and seasonally for part-time contractual support to produce the summary report. The bill’s penalty provisions do not have a material impact on State finances or operations.

Local Effect: Local community college expenditures increase in FY 2024, likely significantly, to update data reporting systems, with ongoing but lower costs beginning in FY 2025 for reporting. Revenues are not directly affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The report must include the following information from the previous fiscal year:

- total student enrollment, disaggregated by demographic categories;
- total dollar amount of institutional debt disaggregated as specified, including by demographic categories and by number of enrolled and former students who hold institutional debt;
- status and collection of institutional debt, including specified matters such as percentage and total amount of institutional debt held in good standing and past due and number of enrolled students and former students who made voluntary payments to the institution;
- administrative hold actions by the institution, including (1) number of enrolled students and former students whose transcripts have been withheld and the length of time held and (2) number of enrolled students and former students whose diplomas have been withheld and the length of time held;
- a list of persons used by the institution for institutional debt-related activities, including originating loans, establishing and facilitating installment plans or debt payment, and initiating lawsuits;
- a copy of any model instrument used by the institution to establish an institutional debt, including a promissory note, an enrollment agreement, or a contract;
- a summary of and citation to the institution's policies relating to an enrolled student's financial obligations, including (1) administrative holds; (2) debt collection; and (3) reports to credit reporting agencies; and
- any other information the commission determines is relevant to evaluating institutional debts.

Nothing in the bill may be construed to require an institution of postsecondary education to report personal identifying information of an enrolled student or former student.

Current Law:

Institution of Postsecondary Education

“Institution of postsecondary education” is defined as a school or other institution that offers an educational program in the State for individuals who are at least 16 years old and who have graduated or left elementary or secondary school. It does not include any adult education, evening high school, or high school equivalence program conducted by a public school system or any apprenticeship or on-the-job training program subject to approval by the Maryland Apprenticeship and Training Council.

The definition includes public and private four-year institutions, community colleges, and private career schools.

Central Collection Unit

CCU in the Department of Budget and Management, subject to various exceptions, is generally responsible for the collection of each delinquent account or other debt that is owed to the State or any of its officials or units. CCU recovers its operating expenses by assessing and collecting a fee in addition to and for the debts that it is assigned.

State/Local Expenditures: MHEC advises that a full-time regular finance policy analyst is required to produce a summary report. The Department of Legislative Services (DLS) advises that, due to the two-month period within which MHEC has to produce the summary report each year, a full-time analyst is likely not required. Even so, beginning in fiscal 2025 when the first report is due, part-time annual contractual support is likely required for at least an eight-week period to produce a report summarizing the data from 11 public four-year institutions, 16 community colleges (including BCCC), and approximately 160 private career schools. If institutions are able to report the information in a standard format that can be automatically summarized, the need for contractual support each year may be lessened; however, there may be one-time costs to develop a standardized report.

Public four-year and community college, including potentially BCCC, expenditures increase significantly, likely by hundreds of thousands of dollars, to produce the required annual report, although a few institutions may be able to produce the report using existing resources. For example, BCCC and Morgan State University advise that they can produce the required report using existing resources, but it is unclear if these institutions currently have more robust reporting systems than other institutions or if their estimates do not include all necessary expenses.

Several institutions advise the complex information required to be reported by the bill is either not readily available or not currently being tracked at all thus, significant computer

database upgrades are required to produce the reports. For example, at the University of Maryland, Baltimore Campus (UMB) student accounts receivable balances are not disaggregated by demographic categories and enrollment. Demographic and enrollment data are held in separate systems. The University of Maryland, College Park Campus estimates costs of \$500,000 in fiscal 2024 and ongoing costs of \$250,000 to \$150,000 annually for fiscal 2025 and beyond.

A few institutions (Frostburg State University, UMB, and University of Maryland Global Campus) report that between one and three additional full-time staff are required to produce the annual report, even with significant computer database upgrades. DLS cannot independently verify the need for additional permanent staff support.

Finally, UMB advises that some data required by the bill, specifically related to credit reporting and litigation on behalf of UMB is handled by CCU. According to UMB, currently CCU does not have reports available to provide agencies with the required data points. Thus, to produce the report needed by the institutions, CCU special fund expenditures may increase, potentially significantly. As with the institutions, expenditures are likely higher in fiscal 2024 and lower in fiscal 2025 and beyond.

Small Business Effect: Many private career schools are small businesses. Like the public institutions, expenditures may increase, potentially significantly to produce the required annual report.

Additional Comments: Likewise, expenditures increase, potentially significantly, for nonpublic institutions of higher education, including institutions that belong to the Maryland Independent College and University Association (MICUA). MICUA advises that its institutions will need to contact former students directly to collect some of the information required for the report.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Higher Education Commission; Baltimore City Community College; University System of Maryland; Morgan State University; Maryland Independent College and University Association; Department of Budget and Management; Department of Legislative Services

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