

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 708  
Appropriations

(Delegates Lopez and Griffith)

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**Institutions of Postsecondary Education - Institutional Debt - Report**

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This bill requires institutions of postsecondary education to report annually on institutional debt (an extension of credit, a debt, or an obligation owed or incurred by a student, in the student’s capacity as a student, to the institution), as specified, to the Maryland Higher Education Commission (MHEC) beginning on October 1, 2025. By December 1, 2025, and annually thereafter, MHEC must submit a report to the General Assembly summarizing the reports from the institutions. MHEC may assess a civil penalty up to \$10,000 (per violation) against an institution that fails to submit a report or knowingly includes inaccurate information in it, as determined by MHEC. Before assessing a penalty, MHEC must send 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, 2024.**

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**Fiscal Summary**

**State Effect:** Higher education expenditures increase, potentially significantly, in FY 2025 for public four-year institutions (and Baltimore City Community College (BCCC)) – for some institutions, likely by hundreds of thousands of dollars – to update financial data reporting systems. Beginning in FY 2026, annual reporting costs are lower but still meaningful for some institutions. Likewise, Central Collection Unit (CCU) special fund expenditures may increase, potentially significantly, in FY 2025, with ongoing but lower costs beginning in FY 2026. Beginning in FY 2026, MHEC general fund expenditures increase minimally and seasonally for 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:** Expenditures increase for local community colleges in FY 2025, likely significantly, to update data reporting systems, with ongoing but lower costs beginning in FY 2026 for reporting. Revenues are not directly affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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## 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 owe 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 or former students with an administrative hold due to institutional debt and (2) number of enrolled students or former students who have completed all required courses but on whom a degree has not been conferred due to institutional debt;
- 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, a tuition payment plan, or a contract;
- a summary of and citation to the institution's policies relating to an enrolled student's financial obligations, including (1) tuition payment plans; (2) student loans owed to the institution; (3) administrative holds; (4) debt collection; and (5) 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.

### *Family Educational Rights and Privacy Act*

At the federal level, the Family Educational Rights and Privacy Act (FERPA) of 1974 governs the privacy of student data. FERPA generally prohibits the disclosure by schools that receive federal education funding of personally identifiable information from a student's education record unless the educational institution has obtained signed and dated written consent from a parent or eligible student or one of FERPA's exceptions applies. An education record includes a range of information about a student.

**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, given the two-month period within which MHEC has to produce the summary report each year, that level of staffing is likely not required. Even so, beginning in fiscal 2026 when the first report is due, contractual support is required annually for at least an eight-week period to produce a summary report with data from the more than 200 institutions within Maryland required to report to MHEC (11 public four-year institutions, 16 community colleges (including BCCC), approximately 160 private career schools, 13 nonpublic institutions that receive State aid, and other nonpublic institutions). It is unlikely, at least initially, that all institutions will be able to report the information in a standard format (which could be more readily summarized). Should a standardized report format be required, the need for contractual support each year may be lessened; however, there could be one-time costs to develop a standardized report in fiscal 2025 and additional costs incurred for the institutions reporting.

Higher education expenditures increase beginning in fiscal 2025 for public four-year institutions, BCCC, and local community colleges to prepare to produce the required

annual report (the first one of which is due in fiscal 2026). The magnitude of the increase varies by institution but could reach hundreds of thousands of dollars for some, while a few institutions may be able to produce the report with more modest expenditure increases. For example, Morgan State University advises that expenditures would increase, but it did not indicate by how much. The University of Maryland Baltimore County (UMBC) advises that its Financial Aid Information System already includes the demographic variables required by the bill. Accordingly, UMBC estimates between \$12,500 and \$25,000 in contract costs or salary and wages to set up a reporting system. It is unclear whether any other institutions have similarly robust reporting systems or if UMBC's estimate does 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 database upgrades are required for them to produce the report. For example, at the University of Maryland, Baltimore Campus (UMB) student accounts receivable balances are not disaggregated by demographic categories and enrollment. Further, demographic and enrollment data are held in separate systems. Also, the University of Maryland, College Park Campus (UMCP) advises that at least five separate offices, as holders of the required data, must be involved in producing the report; accordingly, UMCP estimates one-time costs of \$500,000 in fiscal 2025 and ongoing costs of \$150,000 to \$250,000 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, CCU does not currently 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 2025 and lower in fiscal 2026 and beyond. Likewise, UMCP advises that approximately 1,000 former student accounts are placed with CCU annually, (approximately 2.5% of its total enrollment of 40,000 or more students). Student accounts are placed with CCU the term following a student's last term of enrollment. CCU maintains student account debt in perpetuity and notifies the university when they have made the determination to abate a debt.

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

**Additional Comments:** UMCP also advises that, even if a system can be developed to report the required data, it is unclear if it is permissible for UMCP to *disclose* the data under FERPA, if a legitimate educational purpose for disclosure of the data is not established. DLS cannot advise if the data can be disclosed under FERPA.

In addition, 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.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB 522 of 2023.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 18, 2024  
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