Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 920 (Delegate Spiegel, *et al.*)
Appropriations

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, 2026. By December 1, 2026, 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, 2025.**

Fiscal Summary

State Effect: Higher education expenditures increase, potentially significantly, in FY 2026 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 2027, 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 2026, with ongoing but lower costs beginning in FY 2027. Beginning in FY 2027, 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 2026, likely significantly, to update data reporting systems, with ongoing but lower costs beginning in FY 2027 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 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 implementing the bill's reporting requirements requires two full-time staff: an associate director for institutional debt; and a finance policy analyst. Additionally, assistance from assistant Attorneys General may be needed to ensure report accuracy and support hearings or appeals. 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 2027 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 2026 and additional costs incurred for the institutions reporting.

Higher education expenditures increase beginning in fiscal 2026 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 2027). 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.

Some 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, the bill imposes a significant data collection burden, necessitating database upgrades and/or additional staff to produce the report. For example, in 2024 for a similar bill, the University of Maryland, Baltimore Campus (UMB) advised their 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 2026 and ongoing costs of $150,000 to $250,000 for fiscal 2027 and beyond. Likewise, the University of Maryland Global Campus advises that the bill requires collaborative efforts across multiple departments and that additional staff are required. DLS cannot independently verify the need for additional staff.

Further, in 2024, UMB advised that data required by the bill, including credit reporting and litigation on its behalf, is handled by CCU, which lacks the necessary reports. Similarly, UMCP notes challenges in tracking certain data due to system limitations. UMCP lacks direct access to voluntary student payments, credit reporting, and collection activities managed by CCU, making retrieval time-consuming and uncertain. Additionally, demographic data for debts placed with CCU may be unavailable due to the debt's age. The bill's broad definition of "institutional debt" complicates reporting, as distinguishing between institutional and noninstitutional charges (*e.g.*, parking permits, health insurance) is difficult. Tracking the percentage of students with institutional debt who received a Pell Grant may not be feasible, particularly for CCU-held debt. Since, according to UMCP, only the Secretary of Budget and Management can write off CCU held debt, compliance with reporting requirements may require significant resources. As a result, CCU special fund expenditures may increase, particularly in fiscal 2026, before stabilizing in later years.

Finally, UMCP advises that there may be additional financial consequences due to the timing of the bill. UMCP advises that it is currently updating its outdated mainframe, and those staff who would be needed to develop the reporting are currently allocated to the mainframe project. Diverting time from the mainframe update is estimated to cost $20 million. DLS cannot independently verify this assessment.

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 advised in 2024 for a similar bill 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 may need to hire additional staff for their institutional research offices.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 708 of 2024 and 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 Legislative Services

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Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510