

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 524 (Senator Charles, *et al.*)  
Education, Energy, and the Environment

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Higher Education - Religious Educational Institutions - Certificate of Approval

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This bill exempts an *accredited* religious educational institution that was established *before* January 1, 2013, from the requirement to obtain a certificate of approval (COA) from the Maryland Higher Education Commission (MHEC) to operate in the State. However, an accredited religious educational institution that was established on or after January 1, 2013, must still obtain a COA from MHEC to operate in Maryland. **The bill takes effect July 1, 2025.**

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Fiscal Summary

**State Effect:** No significant impact on MHEC's administrative operations, special fund revenues, or expenditures.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** Most postsecondary educational institutions must obtain a COA from MHEC or register with MHEC (for fully online distance education programs) before they are allowed to operate in the State. However, certain institutions are exempt from registering with or obtaining a COA from MHEC. These institutions are either under charter from the General Assembly or religious institutions meeting certain qualifications.

Chapter 14 of 2013 (which took effect July 1, 2013) clarified and altered the conditions under which MHEC may authorize religious educational institutions to operate without a

COA. Specifically, a religious educational institution may operate without a COA and may enroll Maryland students in a fully online distance education program in the State without registering if the institution (1) is established for religious educational purposes; (2) provides educational programs only for religious vocations or purposes; (3) offers only sectarian instruction designed for and aimed at individuals who hold or seek to learn the particular religious faiths or beliefs taught by the institution; and (4) states on the certificate or diploma the religious nature of the award.

A religious educational institution that is accredited by an accrediting body recognized by the U.S. Department of Education may not operate without a COA from MHEC.

Each religious educational institution authorized to operate without a COA or without registering must submit to MHEC a renewal application every two years that includes specified information.

According to the Code of Maryland Regulations, an institution seeking an exemption as a religious educational institution must submit an application, a financial statement, and the documentation required by the Secretary of Higher Education – including the proposed catalog of courses and evidence from the State Department of Assessments and Taxation that the institution is in good standing. In addition, the institution must submit an application fee of \$250. An exemption is valid for two years. For a renewal application, an institution must submit the same materials and a renewal application fee of \$250. A renewal exemption is valid for two years. Since fiscal 2014, revenues from application and renewal fees are deposited into a special fund within MHEC.

Other institutions of higher education are not required to accept, for transfer, credit from a general education course or any other course offered by an exempt religious institution. In addition, there are other limitations on courses offered by exempt religious institution. Prior to enrolling, a student must be given written notice of these limitations.

A person is prohibited from making a verbal or written statement that an institution of postsecondary education operating without a COA issued by MHEC is approved by, or has a COA from, MHEC. In addition, 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, including that an institution of higher education is not required to accept, for transfer, credits earned at the institution. A violator is subject to a fine of up to \$5,000 for each violation.

### *Certificate of Approval Process*

The two-stage institutional approval process for in-State institutions seeking to operate in Maryland is established in regulations.

*Stage One Approval:* Institutions must submit a stage one application, including evidence of regional or statewide need, financial viability, and proposed degree programs and operations. Institutions must also pay a nonrefundable application fee of \$7,500 for up to two degree programs and an additional \$850 per program beyond two. Once submitted, the application is subject to public notice and a 30-day comment period, during which other institutions may object. If approved by the Secretary of Higher Education, the institution may proceed to stage two.

*Stage Two Approval:* Upon stage one approval, institutions must submit further documentation, including evidence of insurance, financial guarantees, and business licensing. The Secretary appoints an evaluation team to conduct an on-site visit to ensure compliance. The institution is responsible for all associated costs.

*Final Decision and Certificate of Approval:* If the institution meets all regulatory requirements, the Secretary may grant approval and issue a COA, for a period of time as may be considered appropriate, specifying the degree programs and locations permitted. If denied, institutions receive a notice of deficiencies and may request a hearing before MHEC.

*Post-approval Review:* Newly approved institutions undergo a post-approval on-site review after their first instructional year to ensure continued compliance.

**Small Business Effect:** Institutions of higher education are generally not considered small businesses.

**Additional Comments:** MHEC advises that at least nine institutions may qualify for exemption under the bill. However, MHEC further notes that, in most cases, an institution must obtain state authorization to operate before it can receive accreditation from an accrediting body recognized by the U.S. Department of Education. Federal accreditation requirements generally list state authorization as a prerequisite for accreditation. Under federal regulations, institutions must have both state authorization (*i.e.*, a COA) and accreditation to qualify for federal financial aid programs, such as Pell Grants and student loans. The state must take an active role in approving or licensing institutions for it to count as state authorization. More specifically, to meet federal requirements, the state must actively oversee the approval or licensing of institutions rather than merely provide a formal designation.

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## **Additional Information**

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

**Designated Cross File:** HB 1522 (Delegate Woods, *et al.*) - Rules and Executive Nominations.

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

**Fiscal Note History:** First Reader - March 6, 2025  
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