

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1138
Appropriations

(Delegate Fair)

Education, Energy, and the Environment

Higher Education - Private Career Schools - Advertising

This bill authorizes the Secretary of Higher Education to approve a request from an applicant for a private career school to advertise and collect contact information from potential new students before the private career school receives a certificate of approval (COA) to operate. A private career school granted approval must (1) advertise only information relating to the opening of the private career school, including the anticipated date of opening, programs of instruction, and the application process and (2) include a disclosure that the COA is still pending. These private career schools may not collect any fees or enter into an enrollment agreement with potential students. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The Maryland Higher Education Commission (MHEC) can adopt regulations to establish a process to approve a private career school to advertise and collect contact information for potential new students before receiving a COA using existing resources. Revenues are not materially affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The Secretary of Higher Education must adopt regulations providing for the process to approve a private career school to advertise prior to receiving a COA, as specified.

Current Law:

Private Career Schools

“Private career school” is defined in statute as a privately owned and privately operated institution of postsecondary education other than an institution of higher education that furnishes or offers to furnish programs, whether or not requiring a payment of tuition or fee, for the purpose of training, retraining, or upgrading individuals for gainful employment as skilled or semiskilled workers or technicians in recognized occupations or in new and emerging occupations.

To operate in Maryland, a private career school must be approved by MHEC (*i.e.*, have a COA); some are also accredited by national associations. Private career school programs generally provide training in one of the following areas: allied health; audio visual methods; cosmetology; barbering; bartending; computers; massage; the Montessori Method of education; real estate; truck driving; or mechanics. There are also programs in cooking, dog grooming, dry cleaning, maritime studies, photography, polygraph, travel, and trade schools.

Certificate of Approval

An institution of postsecondary education may not operate, do business, or function without a COA from MHEC. MHEC must issue a COA if it determines that (1) the institution’s facilities, admission standards, and educational qualifications meet appropriate standards for its programs, training, and courses and (2) the proposed programs address the State’s educational needs. If an institution fails to meet these requirements, MHEC must provide written notice of deficiencies. Institutions may request a hearing and judicial review, but MHEC’s decision is presumed correct, and the institution bears the burden of proof.

Guaranty Funds

Chapters 552 and 553 of 2016 required MHEC to create and provide for two separate guaranty funds (one each for private career schools and for-profit institutions of higher education), which had previously been optional. In the event of the closure of such a school, these guaranty funds must be used to provide a full refund of tuition and fees incurred by a student that have not been reimbursed or discharged. However, this requirement does not apply to a for-profit institution of higher education that underwent an orderly closure on or before October 1, 2016, which included a teach-out plan encompassing specified elements.

Each for-profit institution (as defined, the term does not include for-profit institutions required to register with MHEC) or private career school is required to pay an annual fee into the appropriate fund as determined by MHEC.

The guaranty funds must be used to provide a refund, as determined by the Secretary of Higher Education, of tuition and fees incurred by a student that have not been reimbursed or discharged, if a for-profit institution of higher education or a private career school fails to (1) perform faithfully any enrollment agreement or contract with the student or (2) comply with any provision of the Education Article. Finally, the guaranty funds must be used to provide a refund, as determined by the Secretary of Higher Education, of tuition and fees incurred by a student that have not been reimbursed or discharged, for any other reason directly related to the original purpose of the funds deemed appropriate by the Secretary of Higher Education.

Small Business Effect: Many private career schools are small businesses. Under the bill, private career schools may advertise prior to receiving a COA if they receive approval from the Secretary of Higher Education, advertise only information related to the opening of the private career school, and include a disclosure that the private career school is pending approval. Further, approved schools may not collect any fees or enter into an enrollment agreement with potential students. This may have a meaningful, although undeterminable, fiscal impact on private career schools that meet these conditions and choose to advertise or collect student information prior to receiving a COA.

Additional Comments: MHEC is currently reviewing 22 applications from organizations seeking to operate as private career schools. MHEC further advises that organizations intending to become certified as private career schools may face significant challenges in coming fully into regulatory compliance – and, thus, ultimately not meet the standards for COA. These challenges include ensuring curricular alignment with licensing board requirements, developing a course catalog that meets regulatory standards, creating an enrollment agreement that complies with State regulations, and meeting financial requirements, such as securing a financial guarantee.

Additional Information

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

Designated Cross File: None.

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

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