

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1138  
Appropriations

(Delegate Fair)

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**Higher Education - Private Career Schools - Advertising**

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This bill authorizes a private career school to advertise and collect contact information for potential new students before receiving a certificate of approval (COA) to operate if it has conducted a market survey, secured a location, completed necessary building modifications, obtained required equipment and permits (except the COA), is likely to receive approval from Maryland Higher Education Commission (MHEC), and has received authorization from the Secretary to begin advertising. **The bill takes effect July 1, 2025.**

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**Fiscal Summary**

**State Effect:** MHEC can adopt regulations to allow 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.

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**Analysis**

**Bill Summary:** Advertising for a private career school may contain specified information and must disclose that the private career school is pending approval.

The Secretary of Higher Education must adopt regulations specifying the process for approval to advertise a private career school.

## **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.

### *Guarantee Fund*

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 meet the other requirements of the bill (*i.e.*, market survey, secured property, building modifications, and obtaining equipment and permits). 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 be able to meet the requirements of the bill and still 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.

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### **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

**Fiscal Note History:** First Reader - March 3, 2025  
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