

# **BACKGROUND PAPER FOR The Bureau for Private Postsecondary Education**

**Joint Sunset Review Oversight Hearing, March 17, 2026  
Assembly Committee on Business and Professions, Assembly Committee  
on Higher Education, Senate Committee on Business, Professions and  
Economic Development, and Senate Committee on Education**

## **BACKGROUND, IDENTIFIED ISSUES, AND RECOMMENDATIONS REGARDING THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**

### **BRIEF OVERVIEW OF THE THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**

#### **Overview of Higher Education Regulation**

The United States Department of Education (USED), independent accrediting agencies, and states, collectively known as the Triad, share responsibility for regulating higher education. The USED sets standards for higher education institutions participating in federal financial aid, administers federal financial aid, and recognizes (approves) independent accrediting agencies. Accreditors ensure that higher education institutions and programs maintain educational quality and adhere to established operational standards related to record keeping, facilities, and financial viability. Only institutions accredited by a federally recognized accrediting agency may participate in federal student aid programs. States are obligated to authorize higher education institutions to operate within the state and provide a meaningful complaint process for students (known as the “State Authorization” rule). Additionally, states are responsible for enforcing their own requirements and protecting students from unfair, deceptive, or abusive business practices. For unaccredited institutions, states also serve as the accreditor.

Unlike other states, which have a single higher education agency, California relies on the governing bodies of the California Community Colleges, California State University, and University of California to regulate public colleges and universities, and the Bureau for Private Postsecondary Education (BPPE or Bureau) to oversee private colleges and universities. Approximately 500,000 students attend nearly 900 institutions approved to operate by the Bureau.

#### **History and Function of the Bureau for Private Postsecondary Education**

Numerous iterations of the Bureau existed prior to its current establishment in 2009. Before 1990, private higher education institutions were regulated by the Private Postsecondary Education Division of the California Department of Education.<sup>1</sup> The Private Postsecondary Education Act, codified by Assembly

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<sup>1</sup> California Postsecondary Education Commission, *The Effectiveness of California’s Oversight of Private Postsecondary and Vocational Education* (Oct. 1995), at 1.

Bill (AB) 911 (Arnett), Chapter 1202, Statutes of 1977, tasked the Superintendent of Public Instruction with “protecting the integrity of degrees and diplomas conferred by private postsecondary institutions” and established an advisory council with equal representation from regulated institutions and the public.<sup>2</sup> The following year, AB 2790 (Hughes), Chapter 975, Statutes of 1978, established the Student Tuition Recovery Fund (STRF) to provide financial relief to students who suffered economic losses while enrolled at an institution subject to the Private Postsecondary Education Act.

By the late 1980s, California had earned the reputation as the “diploma mill capital of the world.”<sup>3</sup> Due to lax oversight and enforcement, “a number of private institutions were granting degrees of questionable value, in some cases without requiring students to complete academic requirements.”<sup>4</sup> Additionally, institutions were enrolling students for federal financial aid—their main source of revenue—without regard for their ability to complete courses or benefit from vocational training. Often, the instruction was not of any value.<sup>5</sup>

In response, California enacted the Private Postsecondary and Vocational Educational Reform Act of 1989 (Reform Act), which overhauled the state’s regulatory framework and transferred oversight to a new, 20-member Council for Private Postsecondary and Vocational Education (Council), with six representatives from private postsecondary institutions, six public members, and eight representatives from various governmental organizations.<sup>6</sup> The Reform Act and the Council were subject to an inoperative date of June 30, 1996, and a repeal date of January 1, 1997. The Reform Act created a single approval process for all private institutions, except those accredited by the Western Association of Schools and Colleges (WASC), and provided that the Council be funded by approval fees and a federal appropriation for administering and approving veterans’ educational programs.<sup>7</sup>

Additionally, the Reform Act established distinct requirements for non-degree and degree-granting institutions and exempted from the Council’s oversight degree-granting institutions with WASC accreditation; religious institutions offering non-secular degrees; and institutions accredited by an accrediting agency recognized by the USED that complied with specified criteria. Moreover, the Reform Act charged the Council with administering the STRF and required schools to provide refunds when students withdrew from programs, give prospective students performance fact sheets disclosing educational and employment outcomes, and furnish an annual report to the Council.<sup>8</sup> The Reform Act also mandated that the California Postsecondary Education Commission (CPEC)—California’s higher education coordinating body from 1974 to 2011—evaluate the effectiveness of the Act and its implementation by the Council by September 1, 1995.

In 1989, the State also enacted the Maxine Waters School Reform and Student Protection Act (Waters Act).<sup>9</sup> The Waters Act was intended to complement the Reform Act by establishing minimum performance standards for course completion and job placement, among other requirements; however, several provisions conflicted with the Reform Act, resulting in a weak regulatory scheme that allowed

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<sup>2</sup> Legislative Analyst’s Office, *Oversight of Private Colleges in California* (Dec. 2013), p. 9.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> California Postsecondary Education Commission, *The Effectiveness of California’s Oversight of Private Postsecondary and Vocational Education* (Oct. 1995), at 1.

<sup>6</sup> SB 190 (Morgan), Chapter 1307, Statutes of 1989.

<sup>7</sup> California Postsecondary Education Commission, *The Effectiveness of California’s Oversight of Private Postsecondary and Vocational Education* (Oct. 1995), at 7-8.

<sup>8</sup> *Ibid.*

<sup>9</sup> AB 1402 (Waters), Chapter 1239, Statutes of 1989.

hundreds of unapproved institutions to continue operating.<sup>10</sup> In 1995, the CPEC estimated that up to 1,000 unapproved institutions were operating in California. The CPEC also asserted that the Council has “no enforcement powers or punitive measures with which to assess violations of the law short of requesting the local District Attorney to prosecute the violator.”<sup>11</sup>

In its report to the Legislature that year, the CPEC also reported that institutions were taking advantage of loopholes in the law by restructuring vocational programs into degrees, which were subject to less stringent completion and job placement rates and refund requirements. Similarly, institutions were modifying their financial records to gain nonprofit status, thereby limiting regulatory oversight. Additionally, the CPEC reported that many private institutions moved to states with less oversight and continued to enroll California students through various forms of distance learning. According to the CPEC, institutions expressed concern and frustration about the subjective nature of the review process by which Council staff determined whether to grant an approval to operate. Nonetheless, the Council determined that “because the Reform Act has been effective in improving the integrity of degrees and diplomas and because its rigorous consumer provisions have been protecting students from misrepresentation and unfair practices, the Commission recommends that the Act be continued indefinitely.”

AB 446 (Committee on Higher Education), Chapter 758, Statutes of 1995, extended the Council’s sunset date by six months from January 1, 1997, to June 30, 1997. However, the following year, Governor Pete Wilson vetoed AB 2960 (Firestone and Campbell) in 1996, which would have extended the sunset date from June 30, 1997, to June 30, 2002, despite the CPEC’s recommendation. In his veto message, Governor Wilson commended the Council for its impact on “fly-by-night schools,” noting that many of the problematic schools were no longer operating in California.<sup>12</sup> He gave voice to concerns raised by institutional representatives about the high cost of regulatory fees, mistreatment by Council staff, and the absence of an appeals process, and also expressed a desire for “more assurances that we are not making it impossible or unreasonably difficult for many small businesses to operate.”<sup>13</sup> By 1997, three-fourths of Council staff had resigned due to uncertainty about the Council’s future.<sup>14</sup>

As a stopgap measure, AB 1164 (Wright), Chapter 32, Statutes of 1997, extended the sunset date from June 30, 1997, to July 18, 1997, and on that date, Governor Wilson signed two companion bills to overhaul the regulation of the private postsecondary education sector. Senate Bill (SB) 819 (Calderon), Chapter 77, Statutes of 1997, extended operation of the Reform Act and the Council to January 1, 1998, and a companion measure, AB 71 (Wright), Chapter 78, Statutes of 1997, transferred administration of the Reform Act from the Council to a Bureau for Private Postsecondary and Vocational Education (BPPVE) created within the Department of Consumer Affairs (DCA). AB 71 also extended the sunset date of the Reform Act to January 1, 2005, and made numerous substantive changes agreed to by institutional representatives and consumer advocates to respond to the Governor’s veto message.<sup>15</sup> Specifically, the bill established a new registration category for short, low-cost programs, intensive English language programs, and license exam preparation courses; required the DCA director to appoint an advisory board; mandated that occupational degree programs be at least two years long; required all

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<sup>10</sup> Legislative Analyst’s Office, *Oversight of Private Colleges in California* (Dec. 2013), at 10.

<sup>11</sup> California Postsecondary Education Commission, *The Effectiveness of California’s Oversight of Private Postsecondary and Vocational Education* (Oct. 1995), at 11.

<sup>12</sup> Governor Pete Wilson, AB 2960 (Firestone) Veto Message (1996).

<sup>13</sup> *Ibid.*

<sup>14</sup> California Senate Committee on Business, Professions and Economic Development, *SB 1473 (Figueroa) Analysis* (2006).

<sup>15</sup> California Senate Rules Committee, Office of Senate Floor Analyses, *AB 71 (Wright) Analysis* (1997).

approved schools to provide a pro rata refund to students who withdraw from a course; reduced application and annual fees; and exempted certain institutions from all or portions of the Reform Act. In the Concurrence in Senate Amendments analysis of the bill, committee staff expressed significant concerns about nearly every aspect of the bill and concluded that, in addition to “substantive policy issues,” the Reform Act would become more complex to administer.<sup>16</sup>

In August 1997, the DCA hired Price Waterhouse to review the Council’s processing cycles and internal accounting control procedures. Price Waterhouse identified significant internal control deficiencies that prevented comprehensive testing of the Council’s processes. However, Price Waterhouse reported that the transfer of Council responsibilities to DCA “disrupted virtually all of the functions of the Council, that a significant number of Council staff had resigned within the past year and their vacant positions have not been filled, and a shortage of staff had resulted in many financial, technical, and administrative functions not being performed.”<sup>17</sup> Price Waterhouse also reported numerous problems involving the collection of institutional fees and STRF assessments; STRF claims processing and fund solvency; the Council’s database system; institutions’ reporting of completion and job placement rates; and the Council’s verification of information provided by institutions.<sup>18</sup>

In 2000, the Bureau of State Audits (BSA) conducted an audit of the DCA and concluded that it “has not fulfilled its responsibility to oversee the regulatory activities aimed at protecting the health, safety, and welfare of consumers carried out by its boards and bureaus.”<sup>19</sup> In an in-depth review of the BPPVE’s operations, the BSA determined that licensing delays and inadequate complaint and investigation processes hindered consumer protection.<sup>20</sup> The BSA found that the BPPVE was not prompt in issuing and renewing licenses, allowing institutions to operate under temporary approval for more than a year. Additionally, the BSA discovered that the BPPVE lacked a mechanism to track complaints or applications, overcharged applicants, discontinued investigating serious complaints for a six-month period, and skipped important steps (e.g., financial review) when reviewing applications.

In 2002, the DCA’s Internal Audit Office conducted a review of the BPPVE and made numerous recommendations, including recommendations to use written application review and approval policies and procedures and provide staff training; monitor workload to ensure that application review and approval processing timeframe requirements are met; establish a process to ensure all fees and assessments are collected and to take action against non-paying institutions; ensure payment of STRF claims in accordance with statutory requirements; develop written complaint handling procedures; and ensure that approved institutions comply with annual reporting requirements.<sup>21</sup>

That year, the Legislature conducted the first sunset review of the BPPVE. The Joint Legislative Sunset Review Committee, later succeeded by the Joint Committee on Boards, Commissions, and Consumer Protection (Joint Committee), determined that the laws governing the BPPVE and private postsecondary institutions were complex, vague, and contradictory; that it took an extremely long time for an institution to get approved; and that there is no clear rationale for various exemptions or differing reporting

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California Higher Education Committee, *AB 71 (Wright) Concurrence in Senate Amendments Analysis* (1997).

<sup>17</sup> Senate Business, Professions and Economic Development Committee, *SB 1473 (Figueroa) Analysis* (2006), at 15.

<sup>18</sup> *Ibid.*

<sup>19</sup> California State Auditor, *Letter to the Governor, President pro Tempore of the Senate, and Speaker of the Assembly regarding the Department of Consumer Affairs* (Nov. 22, 2000).

<sup>20</sup> California Bureau of State Audits, *Department of Consumer Affairs: Lengthy Delays and Poor Monitoring Weaken Consumer Protection* (Nov. 2011), at 17-22.

<sup>21</sup> Benjamin M. Frank, *Initial Report, California Department of Consumer Affairs, Bureau for Private Postsecondary and Vocational Education Operations and Administrative Monitor* (September 25, 2005).

requirements for institutions.<sup>22</sup> At that time, the BPPVE committed to reestablishing an advisory board; streamlining appeal procedures; implementing a voluntary arbitration program; addressing deficiencies related to the BPPVE's written procedures governing application processing, complaint handling, and other activities; and pursuing legislative changes to strengthen the BPPVE's administrative efficiency and enforcement capability and to extend consumer protections to students engaged in distance learning.

SB 364 (Figueroa), Chapter 789, Statutes of 2003, directed the BPPVE to work with the Joint Committee to streamline the Reform Act, identify necessary changes to improve state oversight, evaluate cost and staffing needs, improve data collection, expand outreach to prospective students, and report to the Legislature on other requested changes. SB 967 (Burton), Chapter 340, Statutes of 2003, fully exempted WASC-accredited institutions from the Reform Act, whereas previously only WASC-accredited degree-granting institutions were exempt. SB 967 also revised the requirements for approval of new degree, diploma, or certificate programs offered by approved non-WASC regionally accredited institutions.

In June 2004, the Joint Committee convened a hearing on the BPPVE. The Joint Committee made numerous recommendations, including the review of the BPPVE's structure and oversight responsibilities as well as revenue and staffing needs; clarifying language in the Reform Act to improve implementation and enforcement; increasing staffing to clear existing backlogs; meeting regularly with the advisory committee, and appointing an operations and enforcement monitor.

A few months later, *The Sacramento Bee* published an article calling the BPPVE "a passive consumer-protection agency that does little to monitor schools."<sup>23</sup> The article stated that the BPPVE was slow to process applications, allowing some institutions to operate for years without approval. Additionally, the article asserted that the BPPVE spent too little time evaluating educational quality, rarely investigated or followed up on complaints, did not monitor whether institutions met minimum graduation or job placement rates as required, and failed to submit annual reports to the CPEC. The BPPVE's former chief was quoted as saying that the BPPVE's work was undermined by staff shortages and budget cuts.

SB 1544 (Figueroa), Chapter 740, Statutes of 2004, extended the sunset date of the Reform Act to July 1, 2007, directed the DCA to appoint an enforcement monitor to evaluate the BPPVE's operations and report to the Legislature, and made several clarifying changes, including specifying that institutions that offer programs for \$500 or less are exempt. That year, Governor Arnold Schwarzenegger vetoed AB 711 (Correa), which would have allowed nationally accredited institutions approved to operate by the BPPVE to issue new degrees, diplomas, or certificates without the BPPVE's approval, stating in his veto message that the bill "falls short of its objective to streamline functions of the Bureau."

In response to *The Sacramento Bee* article, the Joint Committee held a special hearing on the BPPVE in January 2005. Many participants believed that the BPPVE had been "neglected" and/or "mismanaged," but numerous issues remained unresolved.<sup>24</sup> In March, the BPPVE, with the DCA's assistance, completed a workload, staffing, and fee study that identified numerous issues related to the cost of administering STRF, statutory requirements/limitations related to STRF, and the collection of STRF assessments.<sup>25</sup> The report made no recommendations to rectify them. In December, the operations and

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<sup>22</sup> California Senate Rules Committee, Office of Senate Floor Analyses, *SB 1544 (Figueroa) Third Reading Analysis* (2004), at 2.

<sup>23</sup> Michael Louie, Laila Weir, and Lisa P. White, *State oversight lax for vocational schools*, THE SACRAMENTO BEE, (Aug. 18, 2004).

<sup>24</sup> Benjamin M. Frank, *Initial Report, California Department of Consumer Affairs, Bureau for Private Postsecondary and Vocational Education Operations and Administrative Monitor* (Sept. 25, 2005), at ES-8.

<sup>25</sup> *Ibid.*

enforcement monitor published its initial report on the BPPVE, which concluded that “nearly all of the problems previously identified when this program was administered by the predecessor Council continue to exist today.”<sup>26</sup> Additionally, the enforcement monitor asserted that nearly all the problems identified by the BSA, the DCA’s Internal Audits Office, and the Joint Committee continue to persist. Moreover, the enforcement monitor affirmed the allegations reported by *The Sacramento Bee*. The enforcement monitor provided 77 recommendations to address statutory, organizational, operational, financial, and other improvement needs, some of which were believed to be implementable without making major changes to the statutes and regulations governing the BPPVE and without significant infusion of financial and staffing resources. Most, however, were thought to require substantive changes.

In 2006, SB 1473 (Figueroa) would have repealed the Reform Act from the Education Code (EDC) and recast its provisions, with substantive changes, as the Private Postsecondary Education and Student Protection Act in the Business and Professions Code and renamed the BPPVE the Bureau for Private Postsecondary Education, but that bill was held on the Senate Appropriations Committee Suspense File. AB 2810 (Liu) of 2006, which would have extended the sunset date by one year to January 1, 2009, and established a working group to propose recommendations, was vetoed by Governor Schwarzenegger. In his veto message, the Governor asserted that extending the BPPVE “does nothing to enhance protections for students, allows problems that have been well documented to continue to exist, and merely allows mediocrity for California’s students.”<sup>27</sup> The Reform Act and BPPVE sunset, but within a month, AB 1525 (Cook), Chapter 67, Statutes of 2007, codified a transition plan and authorized the DCA to assume the BPPVE’s responsibilities.

The following year, Governor Schwarzenegger vetoed SB 823 (Perata) of 2007, which would have established a Bureau for Private Postsecondary Education within the DCA to regulate private postsecondary institutions.<sup>28</sup> In his veto message, Governor Schwarzenegger stated that the bill would be difficult to implement, indicating that its provisions were neither clear nor enforceable. He directed the DCA to conduct student outreach, to encourage schools to provide meaningful disclosures and adhere to ethical business practices, and to investigate student and school complaints. In the absence of a state regulatory scheme, many new institutions began offering programs in California.<sup>29</sup>

Two years after the elimination of the BPPVE, AB 48 (Portantino), Chapter 310, Statutes of 2009, established the current Bureau and codified the California Private Postsecondary Education Act of 2009 (Act), which governs institutions subject to the Bureau’s oversight. That year, SB 294 (McLeod) modified the sunset dates for various regulatory entities under DCA and moved the Bureau’s sunset date up to January 1, 2015, from January 1, 2016.

In 2014, the California State Auditor concluded that “many of the State’s long-standing problems with regulating private postsecondary educational institutions still persist today, four years after the bureau was established to fill the regulatory void by the sunset of its predecessor.”<sup>30</sup> The report found that the Bureau had more than 1,000 pending applications, struggled to sanction unlicensed institutions, conducted only a fraction of the compliance inspections required by law, failed to respond to complaints, and did not ensure that institutions provided accurate information to help students make enrollment

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<sup>26</sup> Ibid.

<sup>27</sup> AB 2810 (Liu) of 2006

<sup>28</sup> SB 823 (Perata) of 2007

<sup>29</sup> Legislative Analyst’s Office, *Oversight of Private Colleges in California* (Dec. 2013), at 10.

<sup>30</sup> California State Auditor, *A Letter to the Governor of California re: the Bureau for Private Postsecondary Education* (Mar. 18, 2014).

decisions. The report also noted weaknesses in the Bureau's management of the STRF, including errors and delays in claims processing.

That year, SB 1247 (Lieu), Chapter 840, Statutes of 2014, extended the sunset date to January 1, 2017, amended the Act to require degree-granting institutions to be accredited, prohibit an institution that participates in federal veterans' aid funding from claiming an exemption from the Act, and expand the use of STRF payments to cover economic loss. SB 1192 (Hill), Chapter 593, Statutes of 2016, extended the Bureau's sunset date to January 1, 2021, required an out-of-state online institution to register with the Bureau, valid for two years, and pay a \$1,500 application fee. Additionally, the bill increased the fine for unlicensed activity, required institutions to notify the Bureau of investigations by certain governmental agencies, modified the fee structure for institutions, and established the Office of Student Assistance and Relief (OSAR) to provide outreach and individualized assistance to students impacted by an institution's unlawful activity or closure. In response to the COVID-19 pandemic, SB 1474 (Senate Committee on Business, Professions and Economic Development), Chapter 312, Statutes of 2020, extended the sunset date for various regulatory entities under DCA, including the Bureau, by one year from January 1, 2021, to January 1, 2022. The following year, SB 802 (Roth), Chapter 552, Statutes of 2021, extended the Bureau's sunset date by one year again, updated various definitions and exemption criteria, allowed the Bureau to extend deadlines by which approved institutions must be accredited according to certain conditions, and made various other changes intended to strengthen the Bureau's role in protecting students. Most recently, SB 1433 (Roth), Chapter 544, Statutes of 2022, extended the sunset date to January 1, 2027, defined "physical presence," exempted certain programs, created a pathway for accredited institutions whose accreditors lose federal recognition to continue operating; authorized the Bureau to deny applications for known violators of the law, allowed for regulation of out-of-state public institutions, and added five new prohibited business practices.

The Act currently directs the Bureau to do the following:

- Create a structure that provides an appropriate level of oversight, including approval of private postsecondary educational institutions and programs.
- Establish minimum operating standards for California private postsecondary educational institutions to ensure quality education for students.
- Provide consumers with a meaningful opportunity to have complaints resolved.
- Support past, current, and prospective students in making informed decisions about college enrollment, including facilitating access to financial relief when students suffer economic loss.
- Ensure that private postsecondary educational institutions offer accurate information to prospective students on institutional and student performance.
- Create opportunities for stakeholders to have a voice and be heard in the operations of and rulemaking process by the Bureau.
- Proactively combat unlicensed institutions.

## **Mission Statement**

The Bureau's current mission statement, as stated in its 2022-2026 Strategic Plan, is as follows:

***The Bureau protects students and consumers in California and beyond through the oversight of California's private postsecondary educational institutions by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and providing support and financial relief to harmed students.***

## Advisory Committee

A 12-member advisory committee is responsible for examining the Bureau's oversight functions and operational policies and advising the Bureau on issues related to the regulation of private postsecondary education in California.

The advisory committee consists of 12 members, including:

- Three members with a demonstrated record of advocacy on behalf of consumers, one each appointed by the Director of DCA, the Senate Committee on Rules, and the Speaker of the Assembly.
- Two members appointed by the Director of DCA who are current or past students of institutions.
- Three members appointed by the Director of DCA who represent institutions.
- One public member appointed by the Senate Committee on Rules and one public member appointed by the Speaker of the Assembly.
- Two nonvoting ex officio members, the chair of the Assembly policy committee with jurisdiction over legislation relating to the Bureau, or a designee appointed by the Speaker of the Assembly and the chair of the Senate policy committee with jurisdiction over legislation relating to the bureau or designee appointed by the Senate Committee on Rules. The chair may designate a representative for any meeting they are unable to attend.<sup>31</sup>

The advisory committee must annually elect a chair and vice chair who may not serve for more than a combined two years.<sup>32</sup> There are otherwise no term limits for members of the advisory committee; they serve at the pleasure of their appointing authority.

The current Advisory Committee members are listed below:

Name	Appointing Authority	Type
<b>Tess Kraiker (Chair)</b>	DCA Director	Institutional Representative
<b>Leigh Ferrin (Vice Chair)</b>	DCA Director	Past Student of an Institution
<b>Robert Boykin</b>	Senate Committee on Rules	Public Member
<b>Kansen Chu</b>	Speaker of the Assembly	Consumer Advocate
<b>Joseph Holt</b>	DCA Director	Institutional Representative
<b>Robyn Smith</b>	Senate Committee on Rules	Consumer Advocate
<b>Michael Zimmerman</b>	DCA Director	Institutional Representative
<b>Senator Angelique Ashby</b>	Senate Committee on Rules	Non-Voting, Ex Officio Member
<b>Assemblymember Mike Fong</b>	Speaker of the Assembly	Non-Voting, Ex Officio Member
<b>Vacant</b>	DCA Director	Past Student of an Institution
<b>Vacant</b>	DCA Director	Consumer Advocate
<b>Vacant</b>	Speaker of the Assembly	Public Member

The student and public members may not have a financial interest in any organization subject to the Bureau's oversight, be a close family member of an employee, officer, or director of an institution subject to the Bureau's oversight, or have or have had a business relationship in the previous five years with any

<sup>31</sup> Educ. Code § 94880(a)

<sup>32</sup> Educ. Code § 94880(l)

institution subject to the Bureau's regulation.<sup>33</sup> In addition, a member cannot, during the five years preceding appointment or while serving on the advisory committee, have acted on behalf of the institution or its accreditor, or represented the postsecondary education industry or any profession regulated by the Bureau, if employed in that industry or profession.

The Act requires the advisory committee to meet at least quarterly and to be attended by the chiefs of the Bureau and OSAR.<sup>34</sup> Meeting materials are posted online and subject to the Bagley-Keene Open Meeting Act.<sup>35</sup> A majority of the advisory committee's voting members constitutes a quorum.

## **Memberships**

The Bureau is a voting member of the National Association of State Administrators and Supervisors of Private Schools (NASASPS), whose mission is to advance state regulation of private postsecondary education. The Bureau chief is a member of the NASASPS Board of Directors and currently serves as board president.

## **Staff**

The Bureau is led by Bureau Chief Deborah Cochrane, who was appointed by Governor Gavin Newsom in 2021. After the retirement of the former Deputy Bureau Chief in 2022, the position was restructured into two: Deputy Chief of Licensing and Administration and Deputy Chief of Enforcement. The Deputy Chief of Administration and Licensing oversees the Administration, STRF, Quality of Education, and Licensing units. The Deputy Chief of Enforcement oversees the Complaints and Investigations, Compliance and Closed Schools, Discipline, and Annual Reports units. The Office of OSAR is a standalone entity under the Bureau. STRF funds OSAR's staff and operations.

According to its Fiscal Year (FY) 2024-25 organizational chart, the Bureau reports that it is authorized for 111 positions. Several retirements, reclassifications, and structural changes led to a peak in staffing shortages in FY 2022-23 (20.90 percent). Since then, the Bureau reports that vacancy rates reached a five-year low (11.71 percent) in FY 2024-25.

Since the Bureau's prior sunset review, it reports having invested \$24,335 on staff development efforts, the majority of which was for investigative training for enforcement staff or managerial training. The Bureau reports that it also pursues low- and no-cost staff development opportunities, conducts monthly all-staff meetings, invites guest speakers from the field, has a leadership workgroup for Bureau managers, convenes an annual on-site staff retreat, formed a policy committee to evaluate legislative and regulatory changes, operates casual mentoring programs, and circulates weekly news roundups.

## **Fiscal, Fund, and Fee Analysis**

Regulatory and licensing fees are intended to fund the Bureau's operations fully. The Bureau does not receive a continuous appropriation from the General Fund. Annual fees paid by approved institutions account for roughly 93 percent of the Bureau's revenue. The remainder of revenue stems from all other fees. Every fee is currently at its statutory maximum. Application fees were last increased in 2009. The annual fee is based on a percentage of an institution's tuition revenue, up to \$750,000, and was last raised from 0.45 percent to 0.55 percent on July 1, 2018.

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<sup>33</sup> Educ. Code § 94880(b)

<sup>34</sup> Educ. Code §§ 94880(e), (g), and (j)

<sup>35</sup> Educ. Code § 94880(i)

<b>Table 4. Fee Schedule and Revenue</b>							
(revenue in thousands)							
Fee	Current Fee Amount	Statutory Limit	FY 2021/22 Revenue	FY 2022/23 Revenue	FY 2023/24 Revenue	FY 2024/25 Revenue	% of Total Revenue
New Institution	\$5,000	\$5,000	\$265	\$325	\$225	\$284	1.9%
New Branch Non-Accredited	\$3,000	\$3,000	\$52	\$27	\$24	\$31	.20%
New Branch Accredited	\$750	\$750	\$18	\$32	\$29	\$19	.20%
Verification of Exemption	\$250	\$250	\$61	\$73	\$79	\$78	.50%
Change in Educational Objectives	\$500	\$500	\$24	\$32	\$26	\$17	.20%
Minor Change	\$500	\$500	\$12	\$8	\$15	\$13	.10%
Change in Location	\$500	\$500	\$9	\$7	\$10	\$7	.10%
Change in Name	\$500	\$500	\$6	\$4	\$4	\$7	0%
Change in Approval – Accreditation	\$250	\$250	\$48	\$42	\$40	\$40	.30%
Change in Method	\$500	\$500	\$10	\$9	\$8	\$5	.10%
Renewal – Main Campus	\$3,500	\$3,500	\$266	\$218	\$295	\$219	1.7%
Renewal – Branch	\$3,000	\$3,000	\$28	\$18	\$27	\$49	.20%
Renewal – Accredited	\$500	\$500	\$38	\$57	\$53	\$33	.30%
Annual Fee – Main Campus	Up to \$60,000	Up to \$60,000	\$8,704	\$8,978	\$9,066	\$9,507	63.0%
Annual Fee – Branch Campus	Up to \$60,000	Up to \$60,000	\$4,632	\$4,278	\$4,300	\$3,924	29.8%
State Authorization Contract	\$1,076	\$1,076	\$108	\$119	\$114	\$179	.90%
Out-of-State Registration	\$1,500	\$1,500	\$103	\$65	\$123	\$55	.60%
*Table provided by the Bureau for Private Postsecondary Education							

Fees are deposited into the Private Postsecondary Education Administration Fund, subject to appropriation by the Legislature.<sup>36</sup> The Legislature determines the Bureau's annual budget, and the Bureau's expenses cannot exceed its authorized expenditures. Unspent funds are reverted to the Bureau's reserve fund. The Bureau is prohibited from maintaining a reserve balance greater than six months' operating expenses.<sup>37</sup>

In FY 2024-25, the Bureau's budget authority was \$20,356, with 3.7 months' operating expenses in reserve. Approximately 44 percent of the Bureau's budget is devoted to enforcement, 21 percent to administration, 18 percent to licensing, and 18 percent to DCA pro rata (what it pays DCA for administrative and investigative services). Aside from the Bureau's administration costs increasing, the BPPE's expenditures have largely stayed the same since the Bureau's prior sunset review.

<sup>36</sup> Educ. Code § 94930

<sup>37</sup> Ibid.

The Bureau has submitted two Budget Change Proposals (BCP) since its prior sunset review; in FY 2022-23, the Bureau received \$1,539,000 for 11 staff positions, ongoing, to permanently support the operations of the OSAR and STRF Unit. Beginning this year, the Bureau is authorized to use STRF funds for OSAR and STRF claim administration, reducing expenditures from the Bureau’s administrative fund by \$2,795,000.<sup>38</sup> The Bureau received \$323,000 in FY 2023-24 and \$307,000 ongoing beginning in FY 2024-25 for two staff members to assist with enforcement.

Due to its longstanding fiscal deficit, the Legislature appropriated \$14 million from the General Fund in FY 2022-23, \$6 million in FY 2023-24, and \$4 million in FY 2024-25 to stabilize the Private Postsecondary Education Fund. The Bureau reports that its costs have been further strained due to an employment lawsuit, resulting in approximately \$10 million in damages for the plaintiff and the plaintiff’s attorney fees. AB 102 (Gabriel), Chapter 5, Statutes of 2025, authorized a \$10 million loan from the Bureau of Automotive Repair, which is intended to be repaid with a \$10 million infusion from the General Fund as proposed in Governor Newsom’s January budget proposal for FY 2026-27.

The Bureau recommends increasing most statutorily established fee levels to avoid becoming insolvent in FY 2027-28. The Bureau’s fund condition is discussed further in Issue #1 below.

The Board’s fund condition is included below:

<b>Table 2. Fund Condition</b> (dollars in thousands)						
	FY 2020/21	FY 2021/22 <sup>1</sup>	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26 <sup>4</sup>
Beginning Balance	\$3,282	\$1,621	\$8,592	\$17,946	\$8,140	\$8,758
Revenues and Transfers	\$15,524	\$26,060	\$15,317	\$3,811 <sup>2</sup>	\$15,852	\$15,599 <sup>5</sup>
<b>Total Resources</b>	\$18,806	\$27,681	\$23,909	\$21,757	\$23,992	\$24,357
Budget Authority	\$18,625	\$19,570	\$19,946	\$21,521	\$20,356	\$27,723 <sup>5</sup>
Expenditures	\$17,927	\$19,182	\$20,258	\$19,491	\$19,234	\$28,464
Loans to General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest, Loans to General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Less Funding Provided by General Fund <sup>3</sup>	\$0	\$0	\$14,000	\$6,000	\$4,000	\$10,000
<b>Fund Balance</b>	\$879	\$8,499	\$17,651	\$8,266	\$8,758	\$5,893
<b>Months in Reserve</b>	0.5	16.3	15.7	6.3	3.7	3.6

Notes: Actuals include prior-year adjustments. Expenditures include reimbursements and direct draws from the fund, including Statewide Prorata and Supplemental Pension payments, which are not included in the program’s budget authority.  
<sup>1</sup> Includes \$12M loan per CS 14.00, Budget Act of 2021 and Executive Order transfer to General Fund (AB 84 – Supplemental Pension Payments)  
<sup>2</sup> Includes \$12M loan repayment per CS 14.00, Budget Act of 2021  
<sup>3</sup> Includes \$24M General Fund over three years per 1111-140-BCP-2020-MR to stabilize the Private Postsecondary Education Administrative Fund.  
<sup>4</sup> Estimate  
<sup>5</sup> Includes \$10M loan per CS 14.00, Budget Act of 2025, and \$10M General Fund investment to support accrued lawsuit costs.  
 \*Table provided by the Bureau for Private Postsecondary Education

<sup>38</sup> AB 123 (Gabriel), Chapter 9, Statutes of 2025.

## Licensing

*Approval to Operate.* The Bureau's approval to operate is required for "private postsecondary educational institutions," defined as private entities with a physical presence in California that offer postsecondary education to the public for an institutional charge.<sup>39</sup> Additionally, both non-profit and for-profit postsecondary schools based in another state or country that have a physical presence in California must obtain an approval to operate. Out-of-state *public* institutions of higher education with a physical presence in California *may* obtain an approval to operate from the Bureau to satisfy federal State Authorization requirements for participation in federal financial aid programs.<sup>40</sup> The Bureau grants two types of approvals: approval to operate (informally referred to as "full" approval) and approval by means of accreditation. Unaccredited institutions must apply for full approval, but accredited institutions may choose between full approval and streamlined approval based on their accreditation. The Bureau reports there are 1,536 approved schools throughout California, including 885 main locations, 299 branch locations, and 352 satellite locations.

Approved schools must adhere to minimum operating standards (EDC § 94885) and are prohibited from engaging in specified business practices (EDC § 94897). Additionally, institutions must submit an annual report to the Bureau (EDC §§ 94929-94929.5) and comply with specified recordkeeping requirements (EDC §§ 94900-94900.5). Institutions' reporting and record-keeping requirements are further discussed in Issue #20 and Issue #21. Pursuant to EDC § 94894, substantial operational changes, such as a change in ownership, location, name, or a significant change in the method of instructional delivery, require prior authorization by the Bureau. Substantive changes subject to Bureau approval are further discussed in Issue #13.

The Bureau may only grant an approval to operate after an applicant has demonstrated that it has the "capacity to satisfy the minimum operating standards."<sup>41</sup> The Bureau must independently verify the information provided in an application to make that determination. Application verification is further discussed in Issue #18.

Unaccredited institutions are required to complete a lengthy application to obtain an approval to operate (also known as full approval) from the Bureau, which is valid for five years. However, institutions that are accredited by an agency recognized by the USED are eligible for a streamlined approval process.<sup>42</sup> An approval by means of accreditation is coterminous with the term of accreditation.<sup>43</sup> Institutions that are approved by means of accreditation and accredited by an accrediting agency that loses recognition by the USED must apply for an approval to operate within six months.<sup>44</sup> Institutional accreditation is further discussed in Issue #8.

Degree-granting institutions must be accredited by an agency recognized by the USED, with the scope of that accreditation covering at least one degree program offered by the school, or have a Bureau-approved accreditation plan for the institution to become fully accredited within five years of obtaining a provisional approval to operate from the Bureau.<sup>45</sup> Unaccredited institutions wishing to offer a degree program must satisfy specified requirements to receive provisional approval to operate degree programs

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<sup>39</sup> Educ. Code § 94886

<sup>40</sup> Educ. Code § 94949.8

<sup>41</sup> Educ. Code § 94887

<sup>42</sup> Educ. Code 94890(a)

<sup>43</sup> Educ. Code §§ 94889 and 94890(b)

<sup>44</sup> Educ. Code § 94885(c)

<sup>45</sup> Educ. Code § 94885(b)

from the Bureau.<sup>46</sup> When an accredited degree-granting institution ceases to be accredited by an accrediting agency recognized by the USED, it must notify the Bureau within seven days, at which time the institution's approval to operate becomes provisional, subject to specific requirements and restrictions.<sup>47</sup> Degree-granting institutions are further discussed in Issues #7, #8, and #9.

Upon receipt of a complete and compliant application, the Bureau must approve it within 30 days.<sup>48</sup> The Bureau reports meeting this goal. The Bureau is also required to notify institutions, within 30 days, whether their application has been approved or requires additional information.<sup>49</sup> The Bureau notes that the transition to a new licensing platform caused notification delays in FY 2024-25.

The Bureau reports that application timelines have increased for two reasons: changes in when the application processing time is considered to have begun, and the discovery of abandoned applications from schools. Whereas the official application processing timeframe used to begin when the Bureau deemed an application complete, it now begins as soon as an applicant pays for the application, regardless of whether it is complete. The Bureau's review of applications is extensive, and deficiencies can take months to address, if, for example, a school must locate new facilities. Additionally, during its transition to a new data system, the Bureau determined that several applications had been abandoned, which increased the processing timelines for FY 2024-25. Nonetheless, the Bureau reports that it doubled application completions compared to the prior year despite having a smaller dedicated staff (due to some staff being redirected to the data system transition).

*Exemptions.* The following postsecondary institutions are exempt from the Bureau's oversight:

- Purely avocational or recreational schools.
- Schools sponsored and operating for a bona fide trade, business, professional, or fraternal organization.
- Federal- or state-operated institutions.
- Schools offering test preparation to a postsecondary educational institution, or continuing education or license examination preparation, if the institution is approved, certified, or sponsored by a licensing entity or a bona fide trade, business, or professional organization.
- Nonprofit religious schools that do not offer secular degrees.
- Schools charging less than \$2,500 for educational programs and not offering degrees.
- Law schools accredited or approved by the American Bar Association or the Committee of Bar Examiners of the California State Bar.
- Accredited nonprofit workforce development and rehabilitation services.
- Colleges and universities accredited by the WASC.
- Flight instruction schools that do not require prepayment of more than \$2,500.
- An institution owned by a nonprofit community-based organization that does not award degrees and does not offer educational programs designed to lead to licensure, and that would not have been subject to oversight if it did not receive funding under the federal Workforce Innovation and Opportunity Act.<sup>50</sup>

Exemption categories are further discussed in Issue #10.

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<sup>46</sup> Educ. Code § 94885.5

<sup>47</sup> Educ. Code § 94885.7

<sup>48</sup> Educ. Code § 94888

<sup>49</sup> 5 Cal. Code Regs. § 71400(b)

<sup>50</sup> Educ. Code § 94874

EDC § 94874.7 allows exempt institutions to request and obtain verification of their exempt status from the Bureau every two years. Exemption verification is further discussed in Issue #11 below.

Despite their exempt status, EDC § 94874.5 requires exempt institutions to provide the Bureau with copies of student records, including transcripts. If accredited, the institution must also provide an accreditor-approved plan for storing and maintaining student records, including how students may access them. Access to student records after an institution closes is further discussed in Issue #30 below.

*Out-of-State Registration.* Pursuant to EDC § 94801.5, out-of-state private for-profit schools that do not have a physical presence in California but enroll California students in online programs are required to register with the Bureau.<sup>51</sup> <sup>52</sup> The Bureau reports that 138 out-of-state schools have registered with the Bureau. Institutions must provide evidence of accreditation, evidence of approval to operate in the state where the main administrative location is located, the agent for service of process in California, the school catalog and sample enrollment agreement, notice of any enforcement action by a state or federal government or by its accreditor, and information concerning a civil complaint alleging the school's failure to provide educational services or concerning consumer protection. Registered schools are required to notify the Bureau of specified events within 30 days and must comply with STRF. Any school that fails to comply with the law is not authorized to operate in California. Requirements for the Bureau's handling of registered institutions are further discussed in Issue #15 below. The out-of-state registration fee is currently \$1,500, and registration is valid for 5 years.<sup>53</sup> See Issue #1 for discussion of fees, including the Bureau's proposal to increase the out-of-state registration fee.

*State Authorization for Title IV.* Federal law requires schools to be authorized by each state in which they offer education and have a meaningful complaint procedure to be eligible for federal financial aid.<sup>54</sup> EDC § 94874.9 entitles WASC-accredited schools exempt from the Bureau's oversight to enter a State Authorization Contract for Review of Complaints, which allows the Bureau to accept, review, and mediate complaints from students or the public on behalf of the institution. The contract requires an institution to cooperate with the Bureau to resolve complaints, notify students that they may file a complaint with the Bureau, designate a person at the school to serve as a liaison to the Bureau, and pay a \$1,076 fee. The contract also authorizes the Bureau to refer the complaint to the school, an accrediting agency, or another appropriate entity for resolution. In FY 2024-25, the Bureau investigated 88 complaints related to schools that have contracted with the Bureau for complaint processing/state authorization. The Bureau reports that the annual fee of \$1,076 is less than half the actual cost of investigating and mediating or referring a complaint. According to the Bureau, raising the fee to \$2,500 would cover its workload. The Bureau's fiscal issues are further discussed in Issue #1.

## **Enforcement**

The Bureau is charged with enforcing the Act. The Bureau may compel approved institutions to provide reports and supporting documents to determine compliance. When the Bureau suspects that an institution may be out of compliance, it must investigate. If the Bureau determines, after completing a compliance inspection or investigation, that an institution has violated any applicable law or regulation, the Bureau is authorized to take enforcement action as appropriate.

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<sup>51</sup> Educ. Code § 94801.5

<sup>52</sup> The Bureau provides no oversight for schools located outside of the country and enrolling California students online.

<sup>53</sup> EDC § 94801.5(e)

<sup>54</sup> 34 CFR § 600.9

*Complaints and Investigations.* The Bureau prioritizes complaints according to risk to students or the public, as well as those that require coordination with other local, state, or federal agencies. Students and others may submit complaints online, in writing by mail, or by phone. The Bureau reports that the average number of complaints per year has increased approximately 20 percent from the 860, as reported during its prior sunset review, to 1,027. The Bureau suggests that this increase may stem from heightened awareness of the Bureau and the Bureau’s collaboration with other regulators.

The Bureau uses performance measures (PM) established by DCA to evaluate its enforcement efforts. The Bureau achieved PM 2, the average number of days from receipt of a complaint to the date the complaint was assigned for investigation or closed, in the seven most recent quarters. However, the Bureau has consistently failed to achieve PM 3, the average number of days from the initiation of the investigation until the investigation is closed for cases not referred to the Office of the Attorney General (AG) for disciplinary action. Nonetheless, the Bureau reports that the number of investigations completed in FY 2023-24 and FY 2024-25 rose 68 percent, and the number of pending complaints is down 45 percent from its peak (844 pending complaints) in April 2023. The Bureau reports that the loss of both enforcement chiefs in 2021 led to considerable staff turnover and loss of institutional knowledge, but that it has since stabilized staff levels and improved its processes.

*Compliance Inspections.* EDC § 94932.5 requires the Bureau to conduct at least one announced and one unannounced inspection of approved schools every five years. The Bureau reports that the number of inspections it has conducted has increased yearly since its prior sunset review. Institutions that have committed a minor violation will be issued a notice to comply at the end of the inspection.<sup>55</sup> Schools have 30 days to remedy the deficiency.

*Citation and Fine.* The Bureau is required to issue a citation when it finds, during an investigation, that a school has committed a violation or failed to comply with a notice to comply.<sup>56</sup> A citation may be accompanied by an order of abatement, an order to compensate students for harm, and an administrative fine up to \$5,000. In determining the fine amount, the Bureau considers the nature and seriousness of the violation; the persistence of the violation; the good faith of the institution; the history of previous violations; the potential harm to students; and the purpose of the statute. EDC § 94944 requires the Bureau to cite and fine up to \$100,000 any person operating an institution without the Bureau’s approval. Penalty assessments are further discussed in Issue #27. The Bureau reports that over the past four fiscal years, the number of citations it has issued has increased by 124 percent. Since the Bureau’s prior sunset review, staff have issued nearly 75 percent of citations for unlicensed activity in the last two fiscal years, a figure the Bureau says indicates its increased effort to curb unlicensed activity.

The most common violations for which citations are issued are:

- Failure to maintain supporting documentation for data reported on the school performance fact sheet and/or on the STRF assessment form
- Failure to pay an annual fee.
- Failure to submit the STRF assessment reporting form and applicable fees.
- Failure to submit an annual report.
- Unlicensed activity.

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<sup>55</sup> Educ. Code § 94935

<sup>56</sup> Educ. Code § 94936

According to the Bureau, most appeals are settled via an informal conference, though some require a formal administrative hearing. Over the past four fiscal years, the average post-appeal fine amount has been less than the average pre-appeal fine amount. The Bureau uses the Franchise Tax Board Intercept Program to collect outstanding fines from institutions structured as sole proprietorships (approximately 6 percent of approved schools). To recover outstanding balances from all other schools, the Bureau collaborates with DCA's Accounts Receivable Unit, which contracts with a collection agency. Cost recovery is further discussed in Issue #28.

*Formal Discipline.* The Bureau may place an institution on probation or suspend or revoke an institution's approval to operate if the institution obtained approval to operate by fraud or committed a material violation or repeated violations that have resulted, or may result, in harm to students.<sup>57</sup> "Material violation" includes, but is not limited to, misrepresentation, fraud in the inducement of a contract, and false or misleading claims or advertising.

The Bureau refers those cases to the AG, which files a formal accusation against the institution. The case may be heard by an Administrative Law Judge, who issues a proposed decision that the DCA Director may adopt. The decision may include probation, revocation, or other disciplinary actions. The Bureau reports that it has increased the number of cases it transmits to the AG for disciplinary action. However, the number of disciplinary actions taken during that time has decreased. The Bureau reports that most of the cases are still pending adjudication. In the first quarter of the last two fiscal years, the Bureau did not meet PM 4, the average number of days from receipt of the complaint to final disposition for cases referred to the AG for disciplinary action.

In some cases, both parties agree to resolve the matter via settlement. Stipulated settlements may include probation, public reproof, or the surrender or revocation of an approval to operate. Since the Bureau's prior sunset review, approximately 25 percent of cases have been resolved via stipulated settlement.

The Board pursues cost recovery for cases referred to the AG. Since the Bureau's prior sunset review, it has transmitted 56 cases to the AG, of which 11 cases included cost recovery totaling \$237,000. Cost recovery is generally uncollectible in cases resulting in permanent school closure, unless a shuttered school submits a new application for an approval to operate. Cost recovery is not ordered in cases resulting in default revocations, which occur when schools do not respond to an accusation, nor in cases where applications are denied. AG enforcement costs and cost recovery are further discussed in Issue #26 and Issue #28, respectively.

*Restitution.* Restitution may include tuition refunds, the granting of grades, certificates, or diplomas, allowing students to take or retake courses at no additional cost, or compensation for harm. A student who has been awarded restitution, a refund, or other monetary award by an arbitrator or court based on a violation of the Act, but who has been unable to collect the award from the institution, is eligible for payment from the STRF. The Bureau has approved more than 1,100 claims and awarded more than \$17 million.

## **Student Tuition Recovery Fund**

The STRF was established in 1978 to relieve or mitigate economic losses suffered by a California student who prepaid tuition to an approved institution.<sup>58</sup> The STRF continues to provide financial relief to

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<sup>57</sup> Educ. Code § 94937

<sup>58</sup> AB 2790 (Hughes), Chapter 975, Statutes of 1978.

students today. Pursuant to EDC § 94923, the STRF relieves or mitigates economic loss suffered by a student while enrolled in an approved institution, who, at the time of the student's enrollment, was a California resident or was enrolled in a California residency program, prepaid tuition, and suffered an economic loss. Students may experience financial harm due to school or program closures, diminished educational quality before closure, or an institution's failure to issue a refund or reimburse loan proceeds under a federal student loan program.<sup>59</sup> Every student pays into STRF at a rate determined by the Bureau. STRF assessments are collected by institutions and remitted to the Bureau. The Bureau is required to pause STRF assessments when the STRF reaches \$25 million and resume assessments when the STRF falls below \$20 million. Assessments are currently paused. Students must file a claim and supporting documents with the Bureau for adjudication. Money in the STRF is continuously appropriated to the Bureau and may be used to cover the costs of claim administration and staff positions of the OSAR. The STRF is further discussed in Issues #32 and #33.

### **Office of Student Assistance and Relief**

In response to the high-profile closure of Corinthian Colleges, the Legislature created the OSAR within the Bureau in 2017 to aid students impacted by the closure. The OSAR is charged with advancing and promoting the rights of prospective, current, and past students of private postsecondary institutions. The OSAR provides numerous resources to assist prospective students in making informed decisions when selecting a school and to help students navigate their financial and academic futures following an institution's unlawful activity or closure. The OSAR also works with state and federal agencies, including the Student Aid Commission, the Department of Veterans Affairs, the federal Consumer Financial Protection Bureau, and the USED, to address students' needs. Since the OSAR's inception, staff have conducted 84 school-closure workshops, attended 93 general outreach events, and participated in 159 veteran events.

### **Public Information Policies**

The Bureau's website includes information on its history, purpose, leadership, and applicable laws and regulations. Additionally, the Bureau's website provides resources for students, including a directory of approved and registered schools and links to file a complaint, apply for STRF, request a transcript, view a school's School Performance Fact Sheets, and visit the OSAR's website. Application information, workshop information, forms and templates, and STRF assessment fee information are also posted online. The Bureau's website also shares compliance inspection results and enforcement actions taken against institutions, including accusations, citations, and formal discipline. Advisory committee meeting materials are posted online 10 days in advance, and the meetings are webcast and archived on the Bureau's website. The Bureau also uses social media and an email listserv to conduct outreach.

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<sup>59</sup> Educ. Code § 94923

## **PRIOR SUNSET REVIEW: CHANGES AND IMPROVEMENTS**

The Legislature conducted the Board's prior sunset review in 2021 and 2022.<sup>60</sup> On March 16, 2021, the Senate Business, Professions, and Economic Development Committee, Senate Education Committee, Assembly Higher Education Committee, and the Assembly Business and Professions Committee jointly held a sunset review hearing for the Bureau. The committee background paper prepared by the Senate Business, Professions, and Economic Development Committee for the hearing identified 17 issues for consideration. In 2022, the Bureau provided an addendum to its 2021 Sunset Review Report that contained key updates and raised five new issues. Below are summaries of each issue and the actions taken to address it. Previous issues that were not completely addressed or are otherwise still of concern are further discussed under "Current Sunset Review Issues."

**Prior Issue #1: Advisory Committee.** During the Bureau's prior sunset review, the committees inquired whether the advisory committee should have a more formal role and whether the terms of the leadership roles should be codified. SB 802 (Roth), Chapter 552, Statutes of 2021, included a requirement that the chair and vice chair of the advisory committee be elected annually. Moreover, that bill instituted term limits. The Bureau suggests that there may come a time when the members most likely to assume these leadership roles are barred from service.

**Prior Issue #2: Operational Costs, Fees, and Funding.** The Bureau's expenses have long outpaced revenue, resulting in a structural deficit. The Bureau estimated that it would become insolvent within FY 2021-22 without a loan from another DCA entity or appropriation from the General Fund. The Bureau received a \$12 million loan from the Bureau of Automotive Repair and \$24 million from the General Fund to sustain the Bureau through FY 2024-25. The Bureau reports that due to cost-saving measures, it was able to repay the loan and remain solvent. However, the Bureau continues to face a structural deficit. The Bureau's fiscal issues are further discussed in Issue #1.

**Prior Issue #3: IT/Business Modernization/Breeze.** The Bureau reports that as of June 30, 2025, it has transitioned to a new data system for all Bureau operations. Institutions can now file initial applications for approval to operate, pay fees, and upload documents online. Additionally, the Bureau reports that students can file complaints and apply for STRF online. The Bureau has shared that it intends to add additional applications in the future and will set up accounts for school representatives to update information on file with the Bureau, pay annual fees, and submit reports online.

**Prior Issue #4: Exemptions.** In 2021, the Bureau expressed support for modest changes to two exemptions, both of which were made in SB 802 (Roth), Chapter 552, Statutes of 2021. The first was to amend the definition of "educational program" to exclude short courses and continuing education courses consisting of 32 hours or less of instruction that are not designed to lead to employment. The second was to specify that the exemption for institutions offering educational programs sponsored by a bona fide trade, business, professional, or fraternal organization does not apply to programs "sponsored" by the institutions themselves. The Bureau now reports that several exemptions could be tightened to improve consumer protection and has concerns about the process and standards for verifying institutional exemptions. Exemptions are further discussed in Issues #10 and #11.

**Prior Issue #5: Approval By Means of Accreditation.** See 2022 Addendum Issue #1 below.

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<sup>60</sup> Due to the COVID-19 pandemic, the Board's prior sunset review was completed over two years from 2020 to 2021.

**Prior Issue #6: Accreditation of Degree-Granting Institutions.** The Act previously required that institutions with provisionally approved degree programs achieve pre-accreditation within two years and full accreditation within five years. To account for differences in accreditors' eligibility requirements, the Bureau previously expressed the need to allow an additional two years for institutions to achieve each milestone. The Bureau also suggested amending the Act to address instances in which an institution loses its accreditation and to prohibit an institution from changing ownership while pursuing accreditation. Lastly, the Bureau sought to clarify that an institution may continue to offer non-degree programs after failing to achieve accreditation, as accreditation is only required for degree-granting institutions. SB 802 (Roth), Chapter 552, Statutes of 2021, and SB 1433 (Roth), Chapter 544, Statutes of 2022, codified the changes requested by the Bureau at that time. Degree-granting institutions are further discussed in Issues #7, #8, and #9.

**Prior Issue #7: Distance Education and Out-of-State Public and Nonprofit Institutions.** In response to the rise of online education/distance learning, California began requiring for-profit institutions in other states to register with the Bureau before enrolling California students in online programs. However, in the last five years, out-of-state public and nonprofit institutions have commenced operations in California. In response to Arizona State University opening a campus in Los Angeles, SB 1433 (Roth), Chapter 552, Statutes of 2021, authorized out-of-state public institutions with a physical presence in California to apply to the Bureau for approval to operate. Out-of-state private nonprofit institutions with a physical presence in California that do not qualify for an exemption must obtain an approval to operate from the Bureau. In 2024, Northeastern University sponsored AB 3167 (Chen) to require "highly qualified private nonprofit institutions" to register with the Bureau to limit the applicability of the Act to, and the Bureau's oversight of, those institutions. That bill was held on the Senate Appropriations Committee Suspense File.

**Prior Issue #8: Income Share Agreements.** Income share agreements (ISAs) are financing contracts between students and institutions. The Bureau reviews ISAs when reviewing applications for an approval to operate. In 2021, the Bureau reported that it had granted only one institution approval to operate under an income-sharing financing method, noting that ISAs often do not comply with the Act, which emphasizes up-front disclosures to students regarding the true cost of a program. At that time, the Bureau explained that many ISAs do not disclose the program's cost at the outset because it is not determined until after the student completes the program, secures a job, and begins earning an income. The Bureau asserted that the issue of ISAs warranted further consideration. According to the Bureau, the federal Consumer Financial Protection Bureau and California's Department of Financial Protection and Innovation (DFPI) have since determined that ISAs are debt products under their jurisdiction. Consequently, the Bureau considers ISA a financing mechanism offered by a postsecondary educational institution, subject to oversight by specialized regulators, and refers concerns to the DFPI. Nonetheless, the Bureau reports there are gaps in consumer protections for students who finance their education with an ISA at an institution that closes before they can complete the program. ISAs are further discussed in Issue #34.

**Prior Issue #9: Minimum Operating Standards.** EDC § 94885 requires the Bureau to adopt minimum operating standards for institutions that ensure the content of each educational program can achieve its stated objective; the institution maintains written standards for student admissions; the facilities, structural equipment, and materials are sufficient; the institution maintains a withdrawal policy and provides refunds; the directors, administrators, and faculty are qualified; the institution is financially sound; students are given a degree or diploma after satisfactorily completing a program; records and transcripts are available to students; and the institution complies with the Act. In 2021, the Bureau requested authorization to establish additional operating standards related to the following: the amount

institutions charge for their programs compared to similar programs and expected student earnings post-graduation; completion, licensure, and gainful employment rates; program evaluation and improvement; academic quality and rigor; program value; and qualification for state licensure upon completion of a program. None were included in legislation. In its 2026 Sunset Report, the Bureau said it would be open to discussing new standards if the Legislature deems them necessary. Minimum operating standards are further discussed in Issue #18.

**Prior Issue #10: Complaint Processing.** During the Bureau’s prior sunset review, the Committees requested that the Bureau detail its complaint intake, investigation, and referral processes in response to questions raised about the Bureau’s complaint backlog and non-jurisdictional complaints. At the time, the Bureau reported that a DCA task force provided assistance from January 2019 to June 2019 and case reviews revealed that complaints outside the Bureau’s jurisdiction had been accepted and assigned for investigation. The task force also identified several compliance inspection complaints, some dating back several years. In response, the Bureau reported implementing a new intake process that provides greater managerial oversight and performing new inspections to verify school compliance. Since then, the Bureau has divided the Deputy Bureau Chief position into two: an Enforcement Deputy Bureau Chief and an Administration and Licensing Deputy Bureau Chief. Both positions were filled in May 2024.

Complaint-processing data provided by the Bureau indicates that its processes are becoming more efficient. According to the Bureau, the number of pending complaints fell nearly in half between FY 2022-23 and FY 2024-25. Moreover, the number of complaints closed has increased year over year from 757 in FY 2022-23 to 1,175 in FY 2024-25. Meanwhile, the Bureau reports issuing twice as many citations and increasing the number of cases referred to the AG from 15 to 24 during that time.

**Prior Issue #11: Enforcement Actions.** During the Bureau’s prior sunset review, the Committee reported that the Bureau has little ability to take formal disciplinary action against institutions without evidence that student harm had occurred. SB 1433 (Roth), Chapter 544, Statutes of 2022, gave the Bureau greater authority to proactively pursue enforcement cases in which students were at risk of harm, but the Bureau could not document that harm had occurred.

**Prior Issue #12: Student Tuition Recovery Fund.** In 2021, the Bureau recommended allowing STRF funds to cover administrative expenses incurred when the Bureau serves as the Custodian of Records for schools that lack their own. AB 123 (Committee on Budget), Chapter 9, Statutes of 2024, authorized the use of STRF to cover the Bureau’s expenses related to processing STRF claims, and to cover the work of OSAR also. These changes are intended to improve the Bureau’s fiscal stability. The STRF is further discussed in Issues #32 and #33.

**Prior Issue #13: Surety Bonds.** See 2022 Addendum Issue #2 below.

**Prior Issue #14. Office of Student Assistance and Relief.** During the Bureau’s prior sunset review, the Committees requested information regarding OSAR’s efforts to alleviate student harm. At that time, the Bureau provided a detailed description of OSAR’s activities and reported changes to its data-collection practices to ensure more detailed information would be available going forward. According to the Bureau, OSAR supports students in the following ways: outreach events to prospective students about choosing a school or program and red flags to be aware of; supporting students impacted by school/program closures by providing workshops and individual assistance regarding students’ rights, STRF, federal loan discharge and loan forgiveness programs, and other economic recovery options. For example, the Bureau reports working with the California Department of Justice to notify and advise students likely eligible for federal loan relief under a nationwide settlement in *Sweet v. McMahan*.

Similarly, the Bureau reports conducting outreach to students unable to receive federal loan relief under the USED's "Borrower Defense to Repayment." Borrower Defense is a federal student loan discharge program that allows borrowers to seek cancellation if their school engaged in misconduct, such as misrepresenting admissions standards, program costs, or graduates' earnings and job prospects.

**Prior Issue #15: COVID-19.** During the Bureau's prior sunset review, the Committees inquired about the impact of the COVID-19 pandemic on its ability to perform statutorily mandated inspections of approved schools. The Bureau reported that it was unable to conduct on-site inspections between March 2020 and December 2020 but resumed inspections in January 2021. The Bureau now reports that it is on track to have every school inspected twice every 5 years, a task that requires approximately 360 inspections annually.

**Prior Issue #16: Technical Changes.** The Bureau previously suggested technical changes to improve its operations, and those recommendations were adopted. Technical changes are further discussed in Issue #36 and Issue #37.

**Prior Issue #17: Continued Regulation by Bureau for Private Postsecondary Education.** SB 802 (Roth), Chapter 552, Statutes of 2021, extended the Bureau's sunset date to January 1, 2023. SB 1433 (Roth), Chapter 544, Statutes of 2022, subsequently extended the Bureau's sunset date to January 1, 2027. Continued regulation of the Bureau is further discussed in Issue #38.

**2022 Addendum Issue #1: Challenges Stemming from Approval by Means of Accreditation.** The Bureau previously highlighted numerous challenges related to institutions approved by means of accreditation and suggested that a possible solution would be to eliminate the option for institutions to be approved by means of accreditation. However, recognizing that such a change would significantly increase costs and workload for the Bureau and institutions, the Bureau proposed several targeted alternatives. SB 1433 (Roth), Chapter 544, Statutes of 2022, amended the Act to address situations where accrediting agencies lose recognition by the USED or institutions lose accreditation; to automatically suspend approval of programs that lose approval from another state licensing agency; and to terminate approvals to operate when an institution closes, or its exemption is verified. The Bureau currently suggests specifying that an approval to operate granted to an institution approved by means of its accreditation is limited to the scope of that accreditation, except with approval of the institution's accrediting agency. Approval by means of accreditation is further discussed in Issues #6, #7, and #8.

**2022 Addendum Issue #2: Insufficient Resources to Provide Comprehensive Response to Institutional Closures.** Following several closures of large institutions (e.g., ITT Technical Institute and Corinthian Colleges), the Bureau reported that "the statutory limitations on the utilization of STRF funds impede a broader range of economic relief that may be in the best interest of students."<sup>61</sup> Meanwhile, many other states, including Arizona, Alaska, Florida, Tennessee, and Texas, require institutions to post a surety bond with the application for an approval to operate. In the event of an institutional closure, the funds may be used to compensate students for lost prepaid tuition, to cover reasonable expenses related to student record retention, to pay faculty to continue teaching until the end of the term or course, and to reimburse former students for the cost of obtaining academic records. In 2022, the Bureau requested statutory authority to require surety bonds, but is no longer pursuing a surety bond requirement because "the inconsistency in administrative and student needs poses challenges to developing a definitive proposal for surety bond terms, conditions, and provisions."<sup>62</sup>

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<sup>61</sup> Bureau for Private Postsecondary Education, *Sunset Review Report: 2022 Addendum*, at 4.

<sup>62</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 58.

**2022 Addendum Issue #3: Lack of Clarity for Determining/Establishing an Institution’s “Physical Presence.”** The Bureau’s oversight has traditionally been limited to institutions with a “physical presence” in California, a term that was not defined in statute at the time of the Bureau’s prior sunset review. As such, the Bureau reported difficulty determining whether an institution has a physical presence. In its 2022 Addendum, the Bureau reported that out-of-state institutions often inquire whether various activities (e.g., field trips or practical training at a California-based clinic operated by the institution) constitute physical presence. The Bureau acknowledged that many situations warranted some, but not full, Bureau oversight, and advocated for a new category of institutions under the Bureau’s oversight that have a minimal presence in the state. SB 1433 (Roth), Chapter 544, Statutes of 2022, stipulated that an institution is considered to have a physical presence in California if it offers instruction or core academic support services from a physical location owned, operated, or rented by or on behalf of the institution in California. That bill also authorized the Bureau to establish by regulation a registration process for institutions deemed to have a limited physical presence in California. The Bureau reports that it has not done so as it is still gathering necessary information.

**2022 Addendum Issue #4: California Law does not Align with Federal Law Regarding Loss of Accrediting Agency Recognition.** Under federal law, when an accrediting agency loses federal recognition, institutions and their students remain eligible for federal financial aid for up to 18 months. In contrast, California law previously did not provide a grace period. In its 2022 Addendum, the Bureau reported that the USED had announced that it was ending recognition of the Accrediting Council for Independent Colleges and Schools (ACICS) due to concerns about inadequate oversight. At the time, ACICS accredited more degree-granting institutions approved by the Bureau than any other accrediting agency. Consequently, the Bureau advocated aligning the Act with federal law to give students time to complete their programs and allow institutions to seek a new accrediting agency and/or apply for new approvals. SB 1433 (Roth), Chapter 544, Statutes of 2022, established a six-month grace period and requires institutions to apply for an approval to operate before its expiration.

**2022 Addendum Issue #5: Lack of Awareness of OSAR.** In its 2022 addendum, the Bureau reported, “In the absence of any pre-enrollment disclosures regarding OSAR provided to students, or any preexisting statutory connection between OSAR and the Bureau-approved institutions before the closure process, staff have seen that the lack of awareness of OSAR’s role and authority creates significant barriers to conducting outreach effectively. Collectively, these issues result in fewer students utilizing OSAR’s services.” SB 1433 (Roth), Chapter 544, Statutes of 2022, required institutions to add information about OSAR to school catalog disclosures.

**2022 Addendum Issue #6: Incomplete Requirements for Institutions to Disclose Government Investigations.** Current law requires institutions to report to the Bureau when they are under investigation by certain governmental entities. However, the reporting requirement previously excluded some governmental agencies and oversight entities with which the Bureau regularly interacts, such as district attorneys’ offices. SB 1433 (Roth), Chapter 544, Statutes of 2022, required institutions to notify the Bureau of investigations by any governmental agency. Institutional reporting requirements are further discussed in Issue #21.

**2022 Addendum Issue #7: Gaps in Prohibited Business Practices.** While investigating complaints, the Bureau learned that students were being harmed by institutional conduct that was prohibited by law outside of the Act, such as an institution misrepresenting itself to the public or prospective students, institutions gathering personal information from prospective students under the false pretext of future enrollment to commit voucher fraud, or withholding transcripts because of debts owed. The Bureau had little ability to enforce against institutions for those violations. SB 1433 (Roth), Chapter 544, Statutes of

2022, expanded the prohibited business practices in the Act and specified that the maximum fine for unlicensed activity (\$100,000) is in addition to fines for other violations and any refunds.

**Addendum Issue #8: Lack of Clarity on Rules for Out-of-State Institutions Enrolling Californians.** EDC § 94801.5 requires out-of-state institutions to register with the Bureau to operate in California. In 2022, the Bureau reported that contradicting definitions were undermining the law. While EDC § 94801.5(c) stipulates that out-of-state institutions required to register with the Bureau that do not are “not authorized to operate in this state,” EDC § 94869 defined “to operate” as “to establish, keep, or maintain any facility or location in this state where, or from where, or through which, postsecondary educational programs are provided.” Consequently, the Bureau concluded that “restricting out-of-state institutions from operating in the state is meaningless if operating is defined by having a physical presence which the institutions, by definition, do not have.”<sup>63</sup> SB 1433 (Roth), Chapter 544, Statutes of 2022, amended the definition of “to operate” to account for out-of-state institutions enrolling California students in online programs, and clarified that an institution’s inability to comply with any individual reporting requirement must still register with the Bureau.

**Addendum Issue #9: Inability to Acknowledge Individual Responsibility in the Context of Institutional Licensees.** Unlike other DCA boards and bureaus, the Bureau regulates private postsecondary educational institutions—businesses, not individuals. Although violations are committed by or at the direction of individuals who own, control, or manage the institutions, the Bureau, at the time of the Bureau’s prior sunset review, had limited ability to discipline individuals and deny an approval to operate based on the conduct of individuals in charge of the institution. SB 1433 (Roth), Chapter 544, Statutes of 2022, authorized the Bureau to deny an application for an approval to operate if the institution would be owned by, have persons in control, or employ managers who knew or should have known about conduct that was the cause for approval revocation or unmitigated discipline at another institution. Still, nothing prevents individuals involved in an improper closure from applying to open new institutions. Institutional ownership and management are further discussed in Issue #12.

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<sup>63</sup> Bureau for Private Postsecondary Education, *Sunset Review Report: 2022 Addendum*, at 10.

# CURRENT SUNSET REVIEW: ISSUES FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION

## ADMINISTRATIVE ISSUES

### **ISSUE #1: (FISCAL SOLVENCY) Are fee increases necessary to prevent the Bureau from becoming insolvent?**

**Background:** The Bureau's expenditures have outpaced revenue since FY 2014-15, resulting in a structural deficit. In 2020, Capitol Accounting Partners, LLC, conducted a fee study at the DCA's request and concluded that the Bureau needed to either cut its expenses or increase fees.<sup>64</sup> However, due to industry-wide changes and economic uncertainty stemming from the COVID-19 pandemic, the DCA Budget Office determined that the study's recommended fee increase may not be adequate in the long term.<sup>65</sup> At that time, the DCA Budget Office supported increasing the annual institution fee for two years and recommended that the Bureau consider alternatives to its existing fee model and evaluate its regulatory structure. During its 2021-2022 sunset review, the Bureau and DCA proposed increasing annual fees. In the absence of fee increases, the Bureau received a \$12 million loan from the Bureau of Automotive Repair to mitigate the Bureau's financial woes, pursuant to Control Section 14.00 of the Budget Act of 2022. In FY 2022-23, the Legislature provided the Bureau with \$24 million from the General Fund to cover the Bureau's budget shortfall through FY 2024-25, including paying back the loan from the Bureau of Automotive Repair.<sup>66</sup> The Legislature also directed the Bureau to propose a new fee structure that would sustainably support the Bureau's operations.

The Bureau contracted with the Foundation for California Community Colleges (FoundationCCC) to "consider potential revenue sources beyond the typical licensing-fee models."<sup>67</sup> In its 2024 report to the Legislature, the FoundationCCC offered several non-fee-based recommendations for minimizing the Bureau's budget constraints but concluded that annual fee increases were necessary for the Bureau to remain solvent. Moreover, the FoundationCCC found that the Bureau/DCA's 2021 fee proposal was "reasonable."<sup>68</sup> According to the Bureau, it has already implemented the changes recommended by the FoundationCCC and now requires statutory approval to modify its fee structure.

The Bureau anticipates raising an additional \$1.2 million annually by increasing application fees, which have been at their current rates since 2009. The Bureau estimates that the workload cost for an application for approval to operate a non-accredited institution is \$11,922. The remaining revenue balance could be generated by increasing annual fees, which account for more than 90 percent of the Bureau's revenue.<sup>69</sup> Annual fees were last increased in 2018 by SB 1192 (Hill), Chapter 593, Statutes of 2016. Taken together, the Bureau believes that these changes will generate sufficient revenue for the Board to remain solvent through FY 2030-31. Without fee increases, the Bureau anticipates becoming insolvent by FY 2027-28.

<sup>64</sup> Capital Accounting Partners, LLC., *California Bureau for Private Postsecondary Education 2020 Report*, at 12.

<sup>65</sup> Department of Consumer Affairs Budget Office, *Memorandum to Kimberly Kirchmeyer, Director, Department of Consumer Affairs re: Bureau for Private Postsecondary Education Fund Condition and Fee Study* (Feb. 23, 2021).

<sup>66</sup> AB 178 (Ting), Chapter 45, Statutes of 2022.

<sup>67</sup> Bureau for Private Postsecondary Education, *Letter to Sens. Wiener, Ashby, and Newman and Assemblymembers Gabriel, Berman, and Fong Regarding Fee Recommendations* (Feb. 26, 2024).

<sup>68</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study*, at 19.

<sup>69</sup> SB 1192 (Hill), Chapter 593, Statutes of 2016.

The table below includes the Bureau’s proposed fee changes:

Authority (Ed. Code)	Description	Current Fee	Proposed Fee
<b>Non-Accredited Institutions</b>			
94930.5 (a)(1)	Approval to Operate, Institution	\$5,000	\$10,000
94930.5 (a)(2)	Approval to Operate, Branch	\$3,000	\$3,000
94930.5 (b)(1)	Renewal, Institution	\$3,500	\$6,500
94930.5 (b)(2)	Renewal, Branch	\$3,000	\$3,000
94894(a),(g),(i),(k),(l)	Substantive Changes with Programmatic Review	\$500	\$2,000
94894 (b)-(f),(h),(j)	Substantive Changes without Programmatic Review	\$500	\$1,000
<b>Accredited Institutions</b>			
94930.5 (a)(3)	Approval to Operate	\$750	\$1,000
94930.5 (b)(3)	Renewal	\$500	\$1,000
94930.5 (c)(2)	Substantive Changes	\$250	\$500
<b>Other Institutions/Fees</b>			
94930.5 (e)(1)	Out-of-State Registration	\$1,500	\$10,000
94874.9 (e)(1)(D)	State Authorization Contract	\$1,076	\$2,500
*Table provided by the Bureau for Private Postsecondary Education			

Annual Fee Factor (Ed. Code section 94930.5 (g))	Current Structure	Proposed Structure
Revenue Percentage	0.55%	0.75%
Minimum Fee per Location (Main/Branch)	\$2,500	\$4,000
Maximum Fee per Location (Main/Branch)	\$60,000	\$80,000
Maximum Fee per Institution (All locations)	\$750,000	\$750,000
*Table provided by the Bureau for Private Postsecondary Education		

In a letter to the committees, San Joaquin Valley College and Carrington College — two institutions under the Bureau’s oversight — assert that “the proposed fee structure disproportionately burdens large multi-campus institutions—particularly those operating accredited, high-value allied-health programs with high tuition but low operating margins.”<sup>70</sup> As an alternative to the Bureau’s proposed fee increases, the institutions propose increasing licensing and approval fees, the minimum campus location fee, and administrative citation fines while maintaining the current annual fees.

***Staff Recommendation:*** *Since its inception, the Bureau has been charged with numerous responsibilities amid an ever-changing, increasingly uncertain higher education ecosystem. The Committees should ensure that the Bureau has the financial resources necessary to fulfill its statutory mandates, chiefly the protection of the public.*

<sup>70</sup> Ember Education, *Letter to Senators Wahab and Perez and Assemblymembers Berman and Fong Regarding the BPPE Sunset Report* (Feb. 26, 2026).

**ISSUE #2: (REPORTING REQUIREMENTS) Should the Bureau’s reporting requirements be modified to account for administrative feasibility?**

**Background:** EDC § 94941(d) requires the Bureau to publish an annual report with enforcement data, including the number of temporary restraining orders, interim suspension orders, and disciplinary actions taken by the Bureau, disaggregated by priority. The Bureau reports that this is not an exhaustive list of its enforcement actions. In addition, enforcement action is determined by violations, which may span several sections of law and tie back to different prioritization categories. Consequently, the Bureau shares that “disaggregating actions by priority does not accurately reflect the Bureau’s enforcement actions and imposes a reporting burden that does not meaningfully enhance public understanding.”<sup>71</sup> The Bureau recommends removing this reporting requirement and reports that enforcement data would remain available in the DCAs’ annual report, on its website, and at advisory committee meetings.

Additionally, EDC § 94948 requires the Director of the DCA to provide written updates to the Legislature every six months. According to the Bureau, this requirement dates back to 2014, when the Bureau was not meeting its statutory mandates. Given the Bureau’s recent performance and transparency, the Bureau requests that the reporting frequency be reduced from every six months to every 12 months.

**Staff Recommendation:** *The Committees may wish to amend the Act to reflect the Bureau's improvements by decreasing the frequency of mandatory reporting to the Legislature.*

**ISSUE #3: (UNITED STATES DEPARTMENT OF EDUCATION) How have changes in regulatory oversight by the USED affected the Bureau? What support does the Bureau require to fulfill gaps in oversight left by a diminishing USED?**

**Background:** Under the Trump Administration, the USED has taken numerous steps to reduce its size and scope, with the intention of eventually eliminating the USED altogether. According to the Bureau:

U.S. Department of Education staffing has been reduced by nearly half, including the elimination of the San Francisco-based regional office with which the Bureau has historically worked closely. Executive Order #14279 focused on changing accreditation, including allowing more agencies to become recognized and encouraging innovation, was signed in April 2025. Efforts to rewrite regulations in the areas of student relief and institutional accountability are already underway. While none of these developments directly impact the Bureau’s laws or jurisdiction, each of them has the potential to significantly reshape the higher education landscape in which the Bureau operates.<sup>72</sup>

Presently, the Bureau is most concerned about its ability to monitor institutions’ financial health, a task currently delegated to federal standards for federal financial aid programs. However, due to an indefinite pause in monitoring by the USED, the Bureau anticipates that it may need to step into that role.

**Staff Recommendation:** *The Bureau should continue to monitor and keep the Committees notified of federal changes. The Committees should anticipate that the Bureau’s operations may need to scale in the absence of federal oversight.*

<sup>71</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 94.

<sup>72</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 91.

**ISSUE #4: (INSTITUTIONAL REVENUE) Should the Bureau validate self-reported institutional revenue?**

**Background:** According to the FoundationCCC, the Bureau relies on self-reported data to assess annual and other fees from institutions and asserts that “self-reporting without verification can lead to confusion, errors, and both intentional and unintentional misconstruing of the data.”<sup>73</sup> Consequently, in its 2024 Bureau funding study, the FoundationCCC suggested that the Bureau estimate the workload involved in verifying revenue self-reported by the Bureau and pursue resources to conduct that work.

**Staff Recommendation:** *The Bureau should identify whether it has the resources to validate revenue reported by institutions and notify the Committees of any barriers it faces in carrying out that work.*

**INSTITUTIONAL APPROVAL AND REGISTRATION ISSUES**

**ISSUE #5: (FEDERAL CHANGES TO ACCREDITATION) How are federal changes to accreditation impacting institutions regulated by the Bureau and the Bureau’s oversight?**

**Background:** According to *An Overview of Accreditation of Higher Education in the United States*, a report published for members of Congress by the Congressional Research Service in April 2024, the federal government provides varying types of support to postsecondary students and schools, including student financial assistance (e.g., Pell Grants and Direct Loans) authorized under Title IV of the Higher Education Act. Postsecondary schools seeking to participate in these federal programs must meet a variety of requirements, including being accredited by an agency recognized by the USED as a reliable authority on the quality of the education being offered.

The United States does not have a centralized authority exercising singular national control over postsecondary educational institutions. Consequently, the character and quality of postsecondary schools and their programs can vary widely. The role of accreditation in higher education is to serve as a marker of acceptable quality across the wide array of postsecondary schools and educational programs. The federal government has come to rely on accrediting agencies recognized by the USED to help ensure that the postsecondary institutions and educational programs to which federal funds are provided meet a minimum quality level.

Higher education practitioners and stakeholders often refer to three general types of accrediting agencies. Regional accrediting agencies historically concentrated their reviews on institutions in specific regions of the United States. National accrediting agencies operated across the United States and primarily reviewed proprietary institutions, career-based single-purpose institutions, and religiously affiliated institutions. Programmatic accrediting agencies operate nationwide and review individual educational programs and single-purpose institutions. The USED refers to the different accreditors as institutional accreditors, which evaluate entire postsecondary schools and comprise regional and national accreditors, and programmatic accreditors.

California law makes certain distinctions between regional and national accreditors. Prior to 2020, institutions generally sought accreditation from the accreditor associated with their geographic region.

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<sup>73</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study*, (Jan. 2024), at 30-31.

Institutions accredited by WASC, or the Accrediting Commission for Community and Junior Colleges, for example, are exempt from the Act and oversight by the BPPE.

In 2020, the USED, in its final accreditation and state authorization regulations, removed the distinction between regional and national accreditors and now categorizes both as institutional accreditors. The USED also removed regional accreditors' geographic scope.

The Trump Administration has indicated that it will significantly alter the regulations governing the accreditation process. To demonstrate, on April 23, 2025, Trump signed an executive order stating that any accreditor promoting diversity, equity, and inclusion, or other policies not aligned with the president's agenda, may have their federal recognition revoked, putting California students at risk of losing federal financial aid and increasing the possibility of school closures.

On November 10, 2025, the USED announced seven priorities for the use of funds under the "Fund for the Improvement of Postsecondary Education." Included in this was \$7 million for accreditation, specifying that funding will be given directly to support colleges and universities in their efforts to change the accrediting agency and to support the development/launch of new accrediting agencies. Given past federal changes and uncertainty in the current federal landscape, the Legislature should monitor the accreditation landscape and consider the extent to which accreditation exemptions should continue to factor into policy and workload decisions.

***Staff Recommendation:*** *The Bureau should notify the Committees of changes, at which time the Committees should reevaluate whether the Act continues to appropriately protect consumers.*

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**ISSUE #6: (ACCREDITING AGENCY DOCUMENTS) Should the Legislature authorize the Bureau to request specified information from accrediting agencies when an institution is pursuing accreditation with that agency?**

**Background:** The Bureau is currently authorized to obtain any documents or other material concerning an approved institution maintained by the institution's accrediting agency, but this authorization does not extend to schools pursuing accreditation. The Bureau reports that access to accrediting agency documents would allow the Bureau to better track the school's progress toward accreditation, and requests that it be given express authority to access that information from an accrediting agency under EDC §§ 94944.5 and 94944.6.

***Staff Recommendation:*** *The Committees should ensure the Bureau has access to documentation relevant to an institution's accreditation pursuit.*

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**ISSUE #7: (VISITING COMMITTEE REVIEWS OF DEGREE-GRANTING INSTITUTIONS NOT YET ACCREDITED) Should the Legislature grant the Bureau more discretion to empanel a visiting committee to review an institution's accreditation plan, and revise the timeframe during which that occurs?**

**Background:** Degree-granting institutions must be accredited or in the process of becoming accredited by an accrediting agency recognized by the USED.<sup>74</sup> The Bureau provisionally approves unaccredited institutions offering degrees and is charged with monitoring their progress towards accreditation. That entails assembling a visiting committee to review the institution's application for approval and

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<sup>74</sup> Educ. Code § 94885(b)

accreditation plan within two years of being provisionally approved, and to advise the Bureau on an institution's ability to obtain accreditation. According to the Bureau, this requirement can be unnecessary for institutions that are further along in the accreditation process. Additionally, the Bureau reports that it may be valuable for a visiting committee to connect with an institution after the two-year mark. As such, the Bureau recommends amending EDC § 94885.5(b)(2) to allow (not mandate) a visiting committee review within the first four years of an institution's provisional approval to operate degree programs. Additionally, the Bureau wishes to amend that code section further to allow a visiting committee to review related documents or materials as determined by the visiting committee.

***Staff Recommendation:*** *The Bureau shall provide examples of when a visiting committee was unnecessary, and the two-year threshold was too limiting. Additionally, the Bureau shall report the frequency of these outcomes.*

**ISSUE #8: (SCOPE OF INSTITUTIONAL ACCREDITATION)** Should programs not within the scope of an institution's accreditation be approved by the Bureau with the consent of the accreditor? Additionally, should all degree programs offered by an institution be accredited by the institution's accrediting agency or agencies?

**Background:** Pursuant to EDC § 94890, an institution that is accredited by an accrediting agency recognized by the USED may obtain an approval to operate from the Bureau by means of accreditation. Approval by means of accreditation is a streamlined pathway to approval that minimizes duplicative review by the accrediting agency and the Bureau. The Bureau reports that an existing loophole in statute allows institutions approved by means of accreditation to offer programs that have not been reviewed and approved by the accrediting agency. For example, an institution accredited based on its vocational nursing programs could offer medical assisting programs without approval from its accrediting agency or the Bureau. The Bureau suggests amending EDC § 94890 to specify that its approval does not extend to programs that have not been approved by the institution's accreditor unless the accreditor provides its express written consent.

Additionally, EDC § 94885 requires an institution's accreditation to cover at least one—but not all—degree programs offered by that institution. Per the Bureau, “It is essential for consumer protection that if a student is enrolled in a degree program, the program is accredited, either via programmatic accreditation or institutional accreditation.”<sup>75</sup> Therefore, the Bureau proposes to require accreditation for all degree programs offered by a school.

***Staff Recommendation:*** *The Bureau should share examples of student harm resulting from this loophole. The Committees may wish to close these loopholes in the interest of consumer protection.*

**ISSUE #9: (UNACCREDITED DEGREE-GRANTING INSTITUTIONS)** Should the Legislature establish a waiting period before institutions can reapply for provisional approval of unaccredited degree programs after they are suspended by the Bureau or surrendered by the institution? Should there be a cap on the number of international students enrolled in provisionally approved degree programs?

**Background:** EDC § 94885(b) requires any institution offering a degree to be accredited by an accrediting agency recognized by the USED, with the scope of that accreditation covering at least one degree program offered by the institution. Alternatively, the institution must have a Bureau-approved

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<sup>75</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 69.

plan to become accredited within five years. At a minimum, the plan must include the identification of an accreditation agency recognized by the USED, an outline of the process by which the institution will achieve accreditation candidacy or pre-accreditation within two years, and full accreditation within five years. Provided the institution's application and accreditation plan are approved by the Bureau, the institution's degree program will be provisionally approved while the institution seeks accreditation. However, the Bureau reports that historically, only 40 percent of institutions with provisionally approved degree programs achieved accreditation. The other 60 percent of institutions voluntarily surrendered their approval to operate, had their degree programs suspended by the Bureau, began operating as exempt institutions, or closed.

Students who enroll in unaccredited degree programs have less certainty that their investment will be worthwhile. Moreover, students enrolled in provisionally approved degree programs are in an especially precarious situation if their program is suspended or surrendered. According to the Bureau, teach-out or transfer options may not be available because many institutions will not accept degree-level credits from unaccredited institutions. The Bureau has identified two scenarios in which students are especially vulnerable. First, there is nothing preventing an institution from immediately reapplying for provisional approval after its degree programs are suspended or surrendered due to an inability to obtain accreditation within five years. As such, the Bureau recommends the Legislature establish a two-year waiting period, thereby closing a loophole that allows schools to skirt accreditation by repeatedly applying for provisional approval. Second, the Bureau reports that international students account for the majority of students enrolled in some provisionally approved degree programs. International students are particularly vulnerable and may be deterred from raising concerns because their residency status is contingent on enrollment. Therefore, the Bureau proposes a 25 percent enrollment cap for international students in provisionally approved degree programs.

***Staff Recommendation:*** *The Committees may wish to establish a waiting period before institutions can reapply for provisional approval and cap enrollment for international students in provisionally approved degree programs.*

**ISSUE #10: (EXEMPTION CATEGORIES) Are there loopholes undermining the Bureau's oversight and consumer protection?**

**Background:** According to the Bureau, the following exemptions could be tightened to improve its oversight and consumer protection:

- 1) EDC § 94874(b)(1) exempts from the Bureau's oversight schools offering educational programs to members of a bona fide trade, business, professional, or fraternal organization that sponsors the educational programs, but the terms "bona fide" and "sponsors" are not defined. According to the Bureau, many schools that have claimed this exemption "are akin to what *USA Today* has termed 'zombie colleges' for their tendency to impersonate shuttered institutions while having no students or faculty to speak of."<sup>76</sup> The Bureau recommends limiting this exemption to schools offering non-degree educational programs, because most entities claiming the exemption imply that they offer advanced degrees.
- 2) EDC § 94874(e) exempts institutions owned, controlled, and operated and maintained by a religious organization that do not offer secular degrees. The Bureau reports that entities have been stretching the exemption's intent by offering degrees in "Biblical Accounting" or "Artificial

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<sup>76</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76.

Intelligence Data Security and the Bible.”<sup>77</sup> The Bureau recommends clarifying in statute that the use of religious terminology in a degree title is insufficient for an exemption.

- 3) EDC § 94874(f) exempts institutions whose educational programs cost less than \$2,500 and are ineligible for state or federal student aid. Still, according to the Bureau, “certain words within this exemption challenge the Bureau’s ability to enforce it meaningfully.”<sup>78</sup> For example, “to conclusively show that the institution is ineligible for exemption, the Bureau would need to prove that the institution *provided* education at a cost above \$2,500 (beyond having offered it) and that the institution *received* student financial aid (beyond being eligible for it).”<sup>79</sup> The Bureau wishes to clarify that the exemption does not apply if a school receives financial aid money or participates in state or federal financial aid programs.
- 4) EDC § 94874(j) exempts flight schools under the complete oversight of the Federal Aviation Administration (FAA) as well as schools that self-certify their compliance with FAA regulations and whose records may only be inspected by the FAA if there is cause. The Bureau recommends narrowing this exemption to only institutions subject to the FAA’s full oversight.

Currently, a non-exempt institution operating without the Bureau's approval is subject to a citation.<sup>80</sup> To enhance the Bureau’s enforcement efforts, the Bureau proposes amending the law to state that institutions may also be cited for offering or providing unauthorized postsecondary education. The Bureau wishes to amend EDC §§ 94869 and 94886 to specify that operating an institution includes offering postsecondary education to the public.

***Staff Recommendation:*** *The Committees may wish to consider the additional consumer benefits to be gained by narrowing the exemptions as requested by the Bureau.*

#### **ISSUE #11: (EXEMPTION VERIFICATION) Does EDC § 94874.7 need clarification to authorize the Bureau to deny verification of an exemption?**

**Background:** As reported by *USA Today* and *Inside Higher Ed*, there has been a surge in fraudulent college and university websites that attempt to defraud prospective students by asking them to apply, pay fees, and provide personal identifying information.<sup>81</sup> Bolstered by generative artificial intelligence, these counterfeit websites advertise fake schools or schools that have closed.<sup>82</sup> According to the Bureau, some operators of these websites have been abusing the Bureau’s exemption verification.

EDC § 94874.7 requires the Bureau to establish a process for verifying an institution’s exempt status. Verification is voluntary and requires submitting an application and paying a \$250 application fee. According to the Bureau, operators of “zombie universities” have applied for verification of their exempt status and used Bureau documents to indicate to consumers that their programs are of good quality and/or low risk. According to the Bureau, these entities’ websites consist “nearly exclusively of stock photos and generic statements,” and are missing key information such as a course schedule or catalog,

<sup>77</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76.

<sup>78</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 78.

<sup>79</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76-77.

<sup>80</sup> Educ. Code § 94944

<sup>81</sup> Chris Quintana, *Zombie Colleges? These Universities Are Living Another Life Online, and No One Can Say Why*, USA TODAY (May 9, 2024).

<sup>82</sup> Josh Moody and Kathryn Palmer, *Inside a Network of Fake College Websites*, INSIDE HIGHER ED (Aug. 14, 2025).

admissions deadlines or policies, or program offerings.<sup>83</sup> The Bureau reports that determining whether these entities are legitimate or illicit goes beyond the scope of exemption verification and that the Bureau would need to charge significantly more to conduct a more rigorous review and to cover the costs of legal representation in enforcement proceedings.

The Bureau wishes for the law to reflect that the process is entirely voluntary and does not confer privileges or rights, so the determination should not be subject to appeal. Specifically, the Bureau requests authorization to deny verification of an exemption or to determine that the Bureau is unable to verify an exemption. The Bureau further suggests that the law be amended to prohibit the Bureau from verifying an exemption for an institution that previously had approval to operate and has outstanding citations, fines, or discipline. According to the Bureau, this change would “prevent non-compliant entities from continuing operations under the appearance of an exemption.”<sup>84</sup>

***Staff Recommendation:*** *The Bureau should provide examples of this deceitful activity, and the Committees should consider whether the proposed changes are sufficient to provide meaningful consumer protection.*

**ISSUE #12: (INSTITUTIONAL OWNERSHIP AND MANAGEMENT) Should institutional owners and managers receive additional scrutiny if they apply for a new approval to operate following an improper school closure?**

**Background:** EDC § 94887 authorizes the Bureau to deny an institution’s application for an approval to operate if that school would be owned or run by individuals who knew, should have known, or participated in conduct resulting in the Bureau revoking the institution’s approval to operate or taking enforcement action against the institution. In many other states, however, the Bureau reports that approval applications may be denied when the applicants were involved in the improper closure of another institution. The Bureau requests the ability to deny an application for an approval to operate an institution that would be “owned, controlled, or under the management of any person that previously owned, controlled, or managed an institution that closed without complying with legal requirements to provide refunds to impacted students or appropriately preserve and make records available.”<sup>85</sup> According to the Bureau, this change would protect students and incentivize institutions that are closing to comply with existing requirements (e.g., student record retention), which the Bureau has little ability to enforce after a school closes. In a letter to the committees, San Joaquin Valley College and Carrington College assert that the “terms such as owned, controlled, and under the management of are overly broad and could inadvertently disqualify individuals who have no decision-making authority related to closure decisions” and propose narrowing the language to apply only to individuals who “exercised material decision-making authority related to closure decisions, or knowingly participated in conduct that violated refund or record-preservation requirements.”<sup>86</sup> On the other hand, the Legal Aid Foundation of Los Angeles proposes strengthening the law by *requiring* the Bureau to deny an application for approval to operate an institution owned, controlled, or managed by any person who owned, controlled, or managed another institution that closed improperly, *or if a student from that shuttered school receives reimbursement for STRF for their economic loss* (emphasis added to distinguish from the Bureau’s proposal).

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<sup>83</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 75.

<sup>84</sup> *Ibid.*

<sup>85</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 74.

<sup>86</sup> Ember Education, *Letter to Senators Wiener and Perez and Assemblymembers Berman and Fong Regarding the BPPE Sunset Report* (Feb. 26, 2026).

***Staff Recommendation:*** *The Bureau should opine whether the institutions' proposed revisions would protect consumers without sweeping in individuals who do not contribute to improper closures.*

**ISSUE #13: (DEFINITION OF “SUBSTANTIVE CHANGE”) Should the addition of a new branch be considered a substantive change requiring prior authorization from the Bureau?**

**Background:** Approved schools are required to obtain Bureau approval before making substantive changes to their operations as specified in EDC § 94894. Currently, the addition of a separate branch more than five miles from the main or branch campus is considered a substantive change. According to the Bureau, the current language undermines its oversight authority to ensure that institutions’ facilities are adequate by exempting branches located within five miles of the main or branch campus. Therefore, the Bureau suggests eliminating that carveout.

***Staff Recommendation:*** *The Committee may wish to require institutions to obtain the Bureau’s approval before opening a new branch, regardless of its distance from a main or branch campus.*

**ISSUE #14: (LICENSURE PROGRAMS) Should the Bureau be prohibited from verifying an exemption for an institution offering licensure programs that have not been approved by the appropriate licensing agency?**

**Background:** Institutions that offer an educational program in a profession, occupation, trade, or career field requiring licensure in California must obtain approval from the appropriate licensing entity.<sup>87</sup> For example, the Board of Vocational Nursing and Psychiatric Technicians' approval of a vocational nursing program is required for the Bureau’s approval. This requirement protects students by ensuring they are eligible to take any required licensure examination. However, no such requirement exists for institutions that are exempt from the Bureau’s oversight. Accordingly, the Bureau recommends amending the law to prohibit it from verifying an exemption if the institution offers licensure programs not approved by the state licensing entity.

***Staff Recommendation:*** *The Committees may wish to prohibit the Bureau from verifying an exemption if the institution’s licensure programs are not approved by the relevant licensing entity.*

**ISSUE #15: (OUT-OF-STATE REGISTERED INSTITUTIONS) Are existing requirements undermining the Bureau’s ability to deny or place conditions on registrations? Does the Bureau have adequate authorization and resources to pursue actions against unregistered institutions enrolling California students?**

**Background:** Out-of-state private for-profit institutions enrolling California students in online education programs must register with the Bureau.<sup>88</sup> Registered institutions are required to notify the Bureau when any of the following occur: the institution’s authorization or approval is revoked, suspended, or subject to enforcement action; a controlling officer is subject to enforcement action; the institution is on probation by its accreditor or its accreditation has been revoked or suspended; or the institution settles or is adjudged to have liability for various civil complaints.

Specifically, EDC § 94801.5(b)(1) requires the Bureau, within 30 days of receiving a notice, to request that the school explain why it should be permitted to enroll California residents. Then, after reviewing

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<sup>87</sup> Educ. Code § 94899

<sup>88</sup> EDC § 94801.5

the information provided and consulting with the AG, the Bureau must issue a written finding that there is no immediate risk to California residents. The law expressly authorizes the institution, pending completion of a review by the Bureau, to continue enrolling new students, unless the Bureau, at its discretion, elects to limit enrollment. The Bureau reports that this language undercuts its oversight authority in several ways. First, the Bureau is required to consult with the AG before taking enforcement action, but is unable to do so because the AG represents the Bureau in legal matters, creating a conflict. Additionally, the law is so specific that it creates an “unnecessary burden” for the Bureau and institutions to comply.<sup>89</sup> Moreover, according to the Bureau, issuing a written finding that there is no immediate risk to California residents is not only false because it cannot guarantee that there is no risk, but it may also undermine investigations and legal matters conducted by other entities. Lastly, the Bureau is required to investigate complaints from California residents attending registered institutions, but it has no enforcement authority over registered institutions regarding such complaints. The Bureau proposes repealing the current requirements and requests authorization to request any information staff deem necessary to determine whether the institution’s registration should be rescinded or placed under conditions.

In its 2024 Bureau funding study, the FoundationCCC stated that the Bureau has little authority to monitor or act against registered institutions for inappropriate activity or against unregistered institutions that unlawfully enroll California students in online programs. The FoundationCCC concluded that “Lack of authority in this area is a significant limitation to BPPE’s ability to enforce California law.”<sup>90</sup> Consequently, the FoundationCCC alleges that institutions are incentivized to close their in-person facilities and offer their programs entirely online. Whereas the Bureau may fine in-state institutions operating without the Bureau’s approval up to \$100,000, the Bureau does not have the authority to pursue unregistered institutions doing business in California.

***Staff Recommendation: The Committees may wish to revise the existing requirements for the Bureau’s handling of a notice received pursuant to EDC § 94801.5(b)(1) as requested by the Bureau. The Bureau should provide an estimate of the number of unregistered institutions enrolling California students and identify barriers to enforcement.***

**ISSUE #16: (APPRENTICESHIPS) Should apprenticeships regulated by the Division of Apprenticeship Standards be exempt from the Bureau’s oversight?**

**Background:** While apprenticeship programs are generally thought to provide on-the-job training, the Bureau reports that several barbering and cosmetology apprenticeships approved by the California Board of Barbering and Cosmetology (BBC) resemble a more traditional educational model with both classroom instruction, a requirement of the BBC, and hands-on training. The BBC offers apprenticeships as an alternative pathway toward licensure outside traditional classroom education and training, which can be cost-prohibitive for many students.

The BBC notes that the number of apprenticeship programs has increased significantly in the past few years. A contributing factor is that apprenticeship programs do not have to be approved institutions subject to the Bureau's oversight. Instead, apprenticeships are approved by the Division of Apprenticeship Standards (DAS) and must comply with the Shelley-Maloney Apprentice Labor Standards Act of 1939 (Labor Code (LAB) §§ 3070-3074.7). Additionally, the program sponsor must be approved by the BBC. Those seeking approval as an apprenticeship program sponsor must submit: 1) a

<sup>89</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 80.

<sup>90</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 25-26.

written request for board approval of its apprenticeship program and identifies the subject matter of the apprenticeship; 2) proof that the program sponsor is approved by the California Apprenticeship Council to offer the apprenticeship; 3) a detailed outline of the proposed training program which demonstrates compliance with the apprenticeship regulations contained in this article; and 4) a copy of the agreement between the program sponsor and the apprentice (16 CCR § 913(b)).

An apprentice commits to working a minimum of 32 hours and no more than 42 ½ hours per week of on-the-job training (OJT) hours and must complete a minimum of 3,200 OJT hours over a two-year period. The individual must also complete a minimum of 220 hours of supplemental instruction (RSI) classes over a two-year period. An individual interested in becoming an apprentice contacts a program sponsor who charges a fee or fees that usually cover the individual's kit, textbooks, and any related supplemental classes taken at an institution, in addition to other administrative fees for adding or changing trainers, transferring to a different establishment, or extending the term of the apprenticeship.

Apprentices complete a 39-hour pre-apprentice training class with the program sponsor, which focuses on basic sanitation and health and safety laws. Upon completion, the individual must find a trainer and an establishment, both of which must be BBC-licensed and in good standing, with no disciplinary actions in the prior two years. The individual also registers as an apprentice with DAS. Apprentices are paid at least minimum wage and cannot work for commission or rent a station in the establishment where they are registered to work. The training establishment obtains workers' compensation for the individual. Apprentices may apply to take the licensure exam after 21 months and completion of the required OJT and RSI hours.

Attachment E of the BBC's sunset report identifies several areas of concern, including the use of tuition and fees. LAB § 3091 prescribes, "Acceptance of an application for entrance into an apprenticeship training program shall not be predicated on the payment of any fee. Reasonable costs for expenses incurred may be charged after an applicant has been accepted into the program." Typically, an apprentice might expect to pay for a kit of tools to train with, which the BBC estimates should cost approximately \$500. Yet the 115 apprentices the BBC spoke with all reported paying between \$2,500 and \$15,000 to participate in their program.

The Bureau's role in regulating DAS-approved apprenticeships is unclear. Accordingly, the Bureau has offered two options. The Legislature could both exclude apprenticeship programs from the Bureau's jurisdiction and give the DAS and the BBC authority to revoke approval when an apprenticeship program overcharges students or when apprentices regularly fail licensure exams. Alternatively, the Bureau requests statutory clarity regarding its jurisdiction over apprenticeships.

***Staff Recommendation: The Committees should consider whether students would be better protected by strengthening the authority of the DAS and relevant licensing boards or by clarifying the Bureau's oversight of apprenticeship programs.***

**ISSUE #17: (STATE AUTHORIZATION AND STATE AUTHORIZATION RECIPROCALITY AGREEMENTS.) Should California enter into the State Authorization Reciprocity Agreement governed by the National Council for State Authorization Reciprocity Agreements?**

**Background:** Postsecondary educational institutions must be authorized by any state in which they operate and have a student complaint process to be eligible for Title IV federal financial aid. Institutions that do not have a physical presence in a state but are enrolling students from that state in their online programs can satisfy the state authorization requirement without obtaining approval from each state if

they participate in a state authorization reciprocity agreement. The State Authorization Reciprocity Agreement (SARA), governed by the National Council for State Authorization Reciprocity Agreements (NC-SARA), was developed by a group of institutions, states, and policy organizations in response to concerns about needing authorization in each state where an institution wishes to operate. The SARA allows accredited, degree-granting institutions (public, private, for-profit, and nonprofit schools alike) approved by a SARA member state to offer distance education in other SARA member states without individually applying for state authorization. The SARA establishes national standards for distance learning and streamlines the process for institutions to offer online courses in multiple states. Proponents of joining SARA argue that participation reduces the time, complexity, and cost of obtaining authorization in individual states. According to NC-SARA, more than 2,400 institutions in 49 member states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands participate in SARA. The Western Interstate Commission for Higher Education (WICHE) coordinates the participation of SARA member states in the Western United States through the WICHE State Authorization Reciprocity Agreement (W-SARA). As of June 15, 2025, thirteen states were participating in W-SARA: Alaska, Arizona, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, and Wyoming.

States must apply to join SARA. If approved, the state becomes a member of SARA. Postsecondary institutions located in California may apply to become SARA-participating institutions through their home state's designated SARA portal entity, which reviews applications, verifies eligibility and compliance with SARA standards, and ultimately approves or denies them. The portal agency must forward approved applications to NC-SARA. Approved institutions must pay an annual fee to NC-SARA based on total full-time enrollment and renew annually.

In 2021, the Attorneys General of 25 states co-authored a letter to NC-SARA advocating for SARA policy changes to improve student protections, asserting that "NC-SARA's current policies do not contain sufficient consumer protections to assure that students are well served, undermine states' ability to protect their residents, and create the race to the bottom that NC-SARA seeks to prevent." California is the only state that has not joined SARA, mainly because it could not enforce the Act's student protections. While SARA does not prevent states from enforcing consumer protection, fraud, and unfair business practices laws that apply to all businesses, SARA does limit member states' ability to enforce state laws or regulations specific to higher education. For example, California could not impose its own higher education laws and regulations on an out-of-state school that enrolls California students, but it could sue the school under California's general consumer protection laws. An institution's home state is responsible for regulating and overseeing its compliance with SARA policies. SARA participation is approved by an institution's home state, and other member states must accept that approval, regardless of the effectiveness of the home state's oversight.

In 2025, the Legislature considered SB 790 (Cabaldon), which would have authorized the governor to enter California into an interstate reciprocity agreement for the authorization and oversight of distance education, such as W-SARA, if specified conditions are met. In particular, the governor would have been required to issue written findings that the interstate reciprocity agreement adheres to the enumerated principles, and the relevant policy committees of the Legislature would have been required to convene a joint hearing on the agreement after the governor issued those findings.

SB 790 (Cabaldon) would have required the governor to designate a state agency, department, or office, such as the Bureau, to serve as the portal entity. Postsecondary institutions would have applied to the portal entity for approval to operate under an interstate reciprocity agreement and pay a fee, established by the portal entity to cover the portal entity's expenses. The portal entity would also have been required

to enter memoranda of understanding with the Chancellor of the California State University, the Chancellor of the California Community Colleges, the Association of Independent California Colleges and Universities, the President of the University of California, and, if appropriate, the Bureau. SB 790 (Cabaldon) was held on the Assembly Appropriations Committee Suspense File.

In its consideration of SB 790 (Cabaldon) of 2025, the Committees identified the following concerns:

- *Financial Relief for Harmed Students.* While the SARA policy manual requires member states to have laws, regulations, policies, and/or processes in place to deal with the unanticipated closure of an institution and to make every reasonable effort to assure that students receive the services for which they have paid or reasonable financial compensation for those not received, it is unclear to what extent these requirements are enforced, if at all, or whether adequate resources are available.
- *Verification of Nonprofit Status by the AG.* In response to several for-profit colleges transitioning to nonprofit status, AB 70 (Berman), Chapter 153, Statutes of 2020, sought to prevent covert for-profit colleges from using devious financial maneuvers to claim nonprofit status and evade state oversight by prohibiting the bureau from verifying an exemption for a nonprofit that previously operated as a for-profit institution unless the AG verified the institution's nonprofit status. SB 790 (Cabaldon) did not require verification of the nonprofit status of any nonprofit institution operating in California that is part of an interstate reciprocity agreement.
- *Cost and Workload Implications for the Bureau.* Under SB 790 (Cabaldon), out-of-state public and nonprofit institutions that were currently exempt from the requirement to register with the Bureau would have continued to be exempt only if they were approved to operate in California pursuant to an interstate reciprocity agreement. It would significantly increase the Bureau's workload if an additional 599 public and nonprofit institutions were required to register with the Bureau. The registration fee covers the Bureau's costs to process the application but does not cover enforcement-related expenses.

***Staff Recommendation:*** *The Bureau should advise the Committees on the potential impacts of California joining SARA.*

**ISSUE #18: (INSTITUTION APPLICATION INFORMATION VERIFICATION AND MINIMUM OPERATING STANDARDS) Should language requiring Bureau staff to independently verify application information provided by schools be repealed? Moreover, should the Act require applicants to satisfy the minimum operating standards rather than demonstrating capacity to satisfy the minimum operating standards?**

**Background:** The Bureau reports that an existing requirement to independently verify application information to determine whether a school has the capacity to meet minimum operating standards is both unworkable and disadvantageous from an enforcement perspective. First, the Bureau cannot verify all the information in an application, and existing law is unclear about the extent to which Bureau staff must verify the information provided. Second, the Bureau fears that institutions may challenge enforcement actions using the Bureau's independent verification and approval as a defense. The Bureau posits the following as an example: "If an institution submits a catalog that fails to include refund policies as required by law, it may argue that it cannot be subsequently disciplined for this violation because it relied

on the Bureau's independent verification of its catalog."<sup>91</sup> According to the Bureau, it is unable to verify the volume and types of information included in an application for approval to operate. The Bureau proposes amending EDC § 94887 to repeal the requirement that it independently verify the information provided by the applicant.

Moreover, current law requires applicants to "have the capacity to satisfy the minimum operating standards."<sup>92</sup> According to the Bureau, the following example demonstrates why the current language is problematic: "Consider an institution with financial resources but no faculty of administrators in key roles. Such an institution could meet faculty and administration standards, but they do not." The Bureau proposes amending EDC § 94891 to require applicants to satisfy the minimum operating standards, rather than demonstrate they have the capacity to do so.

***Staff Recommendation: The Committees may wish to strengthen the Bureau's enforcement authority by amending EDC §§ 95887 and 94891 as proposed by the Bureau.***

**ISSUE #19: (ONLINE PROGRAM MANAGERS) Should online program managers be subject to state regulation and the Bureau's oversight?**

**Background:** Online program managers (OPMs) are unregulated, for-profit companies that contract with institutions to build, market, and manage online degree and certificate programs. The Institute for College Access and Success (TICAS) believes that these entities should be registered with or approved to operate in California, given their role in designing, delivering, and assessing educational programs. However, OPMs often contract with public and nonprofit institutions that are not subject to the Bureau's oversight. According to TICAS, students have been harmed by institutions' failure to disclose their contractual relationships with OPMs and the extent to which OPMs are involved in administering the institutions' online programs. Students have also faced predatory recruitment tactics stemming from OPMs' incentive compensation structures (e.g., tuition-share agreements). TICAS highlights two lawsuits as evidence of the need for government oversight of OPMs:

Graduates of the University of Southern California's online Masters of Social Work program filed a suit alleging that the university misrepresented the online degree as equivalent to its in-person program while outsourcing significant instructional delivery, recruitment, and placement functions to the for-profit OPM, 2U. Similarly, a lawsuit involving Caltech's coding boot camps alleges that its OPM partner, Simplilearn, used the Caltech brand to market programs that were not operated or taught by Caltech faculty and instead relied on third-party instruction and high-pressure sales tactics to enroll students.<sup>93</sup>

***Staff Recommendation: The Bureau should consider whether it could be an effective regulator of OPMs, given that OPMs often partner with institutions not subject to the Bureau's jurisdiction.***

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<sup>91</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 65.

<sup>92</sup> Educ. Code § 94887

<sup>93</sup> *Ibid.*

## **OPERATIONAL STANDARDS AND COMPLIANCE**

**ISSUE #20: (RECORDKEEPING EXEMPTION FOR ACCREDITED INSTITUTIONS) Should the Legislature repeal an exemption from the Bureau’s recordkeeping requirements for schools whose accrediting agency has substantially similar requirements?**

**Background:** Existing law requires approved institutions to maintain certain records, which are critical to the Bureau’s oversight function (e.g., to verify compliance and investigate complaints). However, EDC § 94900.7 exempts accredited institutions from the recordkeeping requirements if their accrediting agency’s own recordkeeping requirements are substantially similar to the Bureau’s. The Bureau reports that this exemption has caused confusion and proposes to delete it. According to the Bureau, an accredited institution does not need an exemption if its accrediting agency’s requirements are substantially similar because the institution would already comply.

**Staff Recommendation:** *The Bureau should explain why the exemption has caused confusion and identify new reporting that accredited institutions would need to do if the exemption is repealed.*

**ISSUE #21: (INSTITUTIONAL REPORTING REQUIREMENTS) Are existing reporting requirements and penalties sufficient to ensure the Bureau is aware of significant concerns about institutions?**

**Background:** EDC §§ 94934.5 and 94801.5(a)(3) require approved and registered institutions to notify the Bureau when certain events occur. However, the Bureau reports that it is unaware of concerns related to institutions due to reporting gaps. For example, institutions are not required to notify the Bureau if they have filed for bankruptcy, nor report certain events related to their ownership, leadership, or key personnel, such as an owner facing criminal indictment for visa or voucher fraud. The Bureau recommends requiring registered institutions to disclose any action indicating insolvency (e.g., filing for bankruptcy, a conservatorship, a receivership, or an audit casting doubt on the institution’s ability to operate). Additionally, the Bureau proposes requiring approved institutions to provide notice of the following: filing for bankruptcy (within 15 days); felony charges against a school owner, person in control, or manager (within 30 days of indictment or felony charge); or civil actions alleging specified violations of state or federal law (within 30 days of adjudication or settlement for damages of \$10,000 or more).

San Joaquin Valley College and Carrington College assert that the proposed reporting requirements “require clearer definitions and workable timelines.”<sup>94</sup> Specifically, they allege that the 15-day bankruptcy reporting deadline is too short and recommend extending it to 30 days. Additionally, they claim that the term “institution managers” is too vague and that most institutions do not receive notice within 30 days of a criminal indictment.<sup>95</sup> They assert that “without a knowledge-based reporting standard, compliance would require continuous monitoring that is neither feasible, nor effective.”<sup>96</sup> Moreover, they suggest that the reporting timeline for civil litigation should begin upon service of the complaint, rather than upon filing. Additionally, they assert that the requirement to report fraud should be triggered by the adjudication of a civil case, not by the filing of a case. Lastly, they purport that the \$10,000 settlement/judgment threshold is not ascertainable within 30 days of filing.

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<sup>94</sup> Ember Education, *Letter to Senators Wiener and Perez and Assemblymembers Berman and Fong Regarding the BPPE Sunset Report* (Feb. 26, 2026).

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*

The Legal Aid Foundation of Los Angeles recommends requiring institutions to notify the Bureau whenever they *become aware* of an action seeking damages exceeding \$10,000 (emphasis added to distinguish from the Bureau's proposal).<sup>97</sup> Additionally, the Legal Aid Foundation of Los Angeles proposes requiring institutions to provide notification of any civil action alleging a violation of the Act, which may be brought by the AG and students, and requiring institutions to notify the Bureau of any civil arbitration, as enrollment agreements may include mandatory arbitration clauses that prohibit students from filing an action in court.

The Bureau also advocates strengthening its enforcement authority by allowing it to tailor its disciplinary actions to the severity of the violation, whereas under current law, it may issue only a citation for failure to comply with current reporting requirements.

***Staff Recommendation:*** *The Committees may wish to enhance reporting requirements as proposed by the Bureau. However, the Committees should also ensure that the reporting requirements are feasible. The Bureau should consider the merits of the institutions' concerns and explain its position on the proposed revisions.*

**ISSUE #22: (STUDENT HANDBOOKS AND OTHER STUDENT-FACING MATERIALS) Should institutions be required to provide handbooks and other student-facing materials that expand on information provided in school catalogs to students prior to enrollment?**

**Background:** EDC § 94909 and EDC § 94913 require institutions to provide prospective students with school catalogs and student brochures prior to enrollment. However, the Bureau reports that institutions have been using alternative documents (e.g., handbooks) to convey pertinent information. For example, the Bureau notes that attendance policies disclosed in school catalogs, as required by law, may be further elaborated in a student handbook. To ensure that students receive all the necessary information prior to signing an enrollment agreement, the Bureau proposes expanding the law to require handbooks and other student-facing materials to be provided to students before enrollment.

***Staff Recommendation:*** *The Committees may wish to amend the law as necessary to ensure prospective students have adequate information to make informed enrollment decisions.*

**ISSUE #23: (PURCHASE-MONEY LOAN CONTRACTS) Should state law be modified to more closely resemble the Federal Trade Commission's "Holder Rule"?**

**Background:** The Federal Trade Commission's "Holder Rule" protects students who borrow money to pay for products or services from having to repay the debt if what they bought was fraudulent or defective, even if the debt is transferred or sold to a third party. Specifically, the Holder Rule preserves consumers' right to assert against a subsequent debtholder the same legal claims and defenses the consumer would have against a seller (i.e., institution). The Bureau offers the following example: a defrauded student may have a "claim" to a refund and/or a "defense" against remaining debt. The "defense" portion of the Holder Rule is the basis for the USED's "Borrower Defense" rule and is particularly salient for defrauded students whose need for a "defense" against remaining debt may greatly exceed the dollar value of a "claim" to recover past payments. EDC § 94916 provides a similar protection, but, according to the Bureau, it contains a loophole that may unintentionally limit students'

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<sup>97</sup> Legal Aid Foundation of Los Angeles, *Letter to Assemblymember Berman regarding the Bureau for Private Postsecondary Education's Recommendation in Sunset Review Report 2026 (AB 2771)* (Mar. 5, 2026), at 5-6.

rights under the federal rule.”<sup>98</sup> While the federal rule allows for cancellation of the full balance, EDC § 94916 limits recovery to amounts paid. The Bureau recommends closing this loophole. Additionally, to incentivize third-party lenders to protect students’ rights under federal and state law, the Bureau proposes prohibiting institutions from accepting payments from third-party lenders whose credit contracts unlawfully omit a required disclosure notifying students of their right to sue for relief.

***Staff Recommendation:*** *The Committees may wish to amend the Act to more closely align with the federal rule and require institutions to verify that consumer credit contracts disclose students’ rights under state and federal law.*

## **ENFORCEMENT ISSUES**

### **ISSUE #24: (INSTITUTIONAL FINANCIAL AID DISCLOSURE) Does the institutional financial aid disclosure need to be updated so the Bureau can better monitor compliance?**

**Background:** EDC § 94912.5 requires institutions that participate in federal student financial aid programs to provide students with a form developed by the USED known as the College Financing Plan (formerly Financial Aid Shopping Sheet) to inform students or prospective students about financial aid award packages prior to enrollment. However, there is no requirement to sign or maintain the form, so the Bureau cannot monitor compliance. The Bureau proposes requiring institutions to retain a copy of the document with other required student records or deleting the requirement altogether.

***Staff Recommendation:*** *The Committees may wish to consider requiring institutions to retain additional documentation for inspection by the Bureau.*

### **ISSUE #25: (ENROLLMENT AGREEMENTS) Should enrollment agreement requirements be modified to enhance the Bureau’s enforcement capability and protect students?**

**Background:** EDC §§ 94902 and 94911 require schools to provide students with written enrollment agreements that outline program details, performance information, and school policies. The Bureau reports that three omissions undermine student protection and the Bureau’s ability to take enforcement action when a violation occurs. First, the enrollment agreements must include an attestation signed by students indicating that they have received and read a School Performance Fact Sheet prior to enrolling—a form that must be initialed by the student and kept on file by the school. The Bureau is concerned that students may sign the attestation in the enrollment agreement without having received a School Performance Fact Sheet, thereby making it more difficult for the Bureau to hold institutions accountable for providing them. Second, enrollment agreements are not required to be dated or include program start dates, making it difficult for the Bureau to determine whether a student has cancelled or withdrawn and what type of refund is due. Students are only entitled to a full refund before the first class or within seven days of signing an enrollment agreement. Third, enrollment agreements are not required to specify how instruction will be provided (e.g., in-person, online, hybrid, or another format), undermining the Bureau’s ability to enforce the law limiting changes to the method of instructional delivery once students have enrolled. The Bureau recommends removing the School Performance Fact Sheet attestation from future enrollment agreements and requiring that enrollment agreements be dated at the time of signing, specify how instruction will be provided, and include the date classes begin.

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<sup>98</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 90.

According to the Legal Aid Foundation of Los Angeles, “The vast majority, if not all, of the hundreds of students LAFLA has assisted over the years never read their enrollment agreements. This is not only because the enrollment agreements are lengthy, single-spaced documents full of legalese, but also because Bureau-licensed schools, particularly for-profit schools, rarely give students time to read through the documents before they pressure the students to sign them.”<sup>99</sup> As such, the Legal Aid Foundation of Los Angeles proposes amending one of the enrollment agreement statements that students must sign by deleting language asserting that they have read and understand their rights and responsibilities and that the institution’s cancellation and refund policies have been clearly explained. The Legal Aid Foundation of Los Angeles believes that “It is sufficient that students certify that they agree to the terms therein.”<sup>100</sup>

***Staff Recommendation:*** *The Committees may wish to address gaps in the information required for enrollment agreements.*

**ISSUE #26: (ATTORNEY GENERAL ENFORCEMENT COSTS) Should the State continuously appropriate General Fund to cover litigation costs paid to the AG?**

**Background:** The Bureau reports that it has increased the number of case referrals to the AG for formal discipline in recent years. While the Bureau is authorized to seek reimbursement for those cases, cost recovery is generally uncollectable after an institution’s approval to operate is revoked, as the Bureau has no means of enforcing payment. In its 2024 Bureau funding study, the FoundationCCC asserted that:

AG costs are unpredictable, expensive, and not sufficiently resourced. Most schools appeal the judgements and dig in for a long-term battle with the State and, in doing so, require BPPE to continue accruing AG costs while the presumption of innocence allows the school to continue operating. This perverse fiscal incentive allows schools to continue bringing in revenue while BPPE is either required to spend dollars it does not have or drop the case entirely, the latter action begging the question: “How valuable is industry regulation without enforcement?” Given these challenges, a strong commitment to the enforcement of California’s laws warrants a stable General Fund investment that allows BPPE to pursue bad actors without needing to sacrifice other elements of its mission.<sup>101</sup>

***Staff Recommendation:*** *The Committees should consider funding mechanisms that allow the Bureau to utilize the AG without sacrificing operational capabilities.*

**ISSUE #27: (PENALTY ASSESSMENTS AND COLLECTION) Should the Bureau have authority to revise fines via regulation?**

**Background:** EDC § 94936(b)(2) caps the penalty for each violation of the Act at \$5,000. In its 2024 Bureau funding study, the FoundationCCC asserted that “while a fine of this amount would be impactful on an individual or a small business, large colleges and corporations can easily absorb this amount, rendering the penalty meaningless. When the penalties for skirting the law become the accepted price of

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<sup>99</sup> Legal Aid Foundation of Los Angeles, *Letter to Assemblymember Berman regarding the Bureau for Private Postsecondary Education’s Recommendation in Sunset Review Report 2026 (AB 2771)* (Mar. 5, 2026), at 7.

<sup>100</sup> *Ibid.*

<sup>101</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 27-28.

doing business, the penalty levels must increase.”<sup>102</sup> The FoundationCCC further recommended that the Bureau be granted authority to modify fees to align with the Bureau’s workload and incentivize institutions to comply with the Act.

Although the Bureau may penalize institutions for violations of the Act, it has little ability to collect fines. Institutions that do not pay are reported to DCA for collection through the Franchise Tax Board or a collection agency. In its 2024 Bureau funding study, the FoundationCCC asserted that “While BPPE has authority to pursue legal action through the courts to collect on unpaid fees and fines (including filing an injunction against a school or issuing a money judgment order) the legal/enforcement costs that are incurred by the Bureau are usually too expensive to justify the benefit.”<sup>103</sup> Moreover, the FoundationCCC noted that “the inability to penalize bad actors only diminished the efficacy of the regulatory structure. Schools are acutely aware of these costs and recognize that it is in their financial benefit to continue operating outside the law and avoid paying fines and penalties; each day they continue business-as-usual, they bring in more and more tuition revenues.”<sup>104</sup>

***Staff Recommendation:*** *The Committees may wish to consider granting the Bureau limited authority to modify certain fines through regulation and may wish to consider if the ability to modify those fines be capped at a certain percentage, and if the Bureau should be required to report on those changes.*

**ISSUE #28: (COST RECOVERY) Should the Bureau be authorized to recover costs for site visits?**

Business and Professions Code § 125.3 authorizes the Bureau to recover workload costs from institutions when those costs are specifically related to a disciplinary action. In a similar vein, the FoundationCCC suggested in its 2024 Bureau funding study that the Legislature should explicitly require institutions to pay the direct costs associated with other activities, including travel costs for site visit evaluations, which the Bureau is authorized to conduct before issuing an approval to operate and regularly thereafter to ensure compliance with the Act.<sup>105</sup> <sup>106</sup> The FoundationCCC estimates that site visits cost the Bureau \$100,000 to \$200,000 annually.

***Staff Recommendation:*** *The Bureau should advise the Committees on how its fees incorporate workload related to compliance inspections.*

**ISSUE #29: (UNDEFINED TERMS) Should “college,” “university,” “bona fide,” and “religious institution” be defined in statute, and should the Legislature allow the Bureau to assess penalties for the misuse of these terms?**

**Background:** According to the FoundationCCC, California does not impose restrictions on the use of the terms “college” or “university,” thereby enabling their use in ways that mislead students. Additionally, the term “religious institutions” is undefined, creating an opportunity for institutions to exploit an exemption for religious institutions. In its 2024 Bureau funding study, the FoundationCCC

<sup>102</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 31.

<sup>103</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 32-33.

<sup>104</sup> Ibid.

<sup>105</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 23.

<sup>106</sup> EDC § 94887 and EDC § 94932.5

recommended that the Legislature expand its list of prohibited business practices to include the use of key terms and authorize the Bureau to regulate those terms and penalize their misuse.<sup>107</sup>

***Staff Recommendation:*** *The Bureau should opine on the merits of this recommendation and advise the Committees on any statutory changes.*

## **SCHOOL CLOSURES AND THE STUDENT TUITION RECOVERY FUND**

### **ISSUE #30: (ACCESS TO STUDENT RECORDS AFTER INSTITUTION CLOSURE) Should the Bureau collect pertinent student records on behalf of institutions to improve student access?**

**Background:** Institutions are required to store and maintain transcripts permanently, and other pertinent student records for five years, including after a school closure.<sup>108</sup> However, the Bureau reports that students are often unable to access their transcripts after an institution closes. The Bureau may assume student records on behalf of institutions, but it is not a regular occurrence. While the Bureau has the authority to promulgate regulations to collect student records from institutions, it has not yet done so, in part, due to concerns about resources. As such, the Bureau requests that EDC § 94927.5 be amended to require that student records be provided electronically (not hard copies), thereby reducing storage costs and workload. The Bureau also proposes to repeal the requirement that student records be provided “prior to closing,” thereby allowing the Bureau to collect student records more frequently if it chooses to do so.<sup>109</sup> Lastly, due to anticipated cost increases associated with student record retention and maintenance, the Bureau suggests charging students a fee, covered by STRF, to access their records.

According to the Legal Aid Foundation of Los Angeles, “students impacted by a school closure are also often unable to access documents that are crucial to obtaining a closed school discharge and/or STRF relief.”<sup>110</sup> As such, the Legal Aid Foundation of Los Angeles suggests that institutions should be required to preserve enrollment agreements; attendance, withdrawal, and leave of absence records; and student ledgers that account for payments received from or on behalf of students and how the funds were applied to a student’s account, including when they close or are sold to new owners.

***Staff Recommendation:*** *The Bureau should advise the Committees on its efforts to ensure students have access to important records, particularly given the role these records play in providing students with necessary recourse. The Committees may wish to provide the Bureau with the flexibility to obtain student records and to assist students in having greater access to these important materials.*

### **ISSUE #31: (WITHHOLDING OF STUDENT RECORDS) Should the Legislature prohibit institutions from withholding essential records that verify a student’s education and training?**

**Background:** EDC § 94897(s) and Civil Code § 1788.93 prohibit schools from refusing, delaying, or inflating the costs of academic transcripts due to students’ unpaid debts, but these protections do not extend to other types of student records, such as diplomas, certifications of completion, clinical training documents, or licensing verification forms. For example, the BBC requires applicants to provide a “Proof

<sup>107</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 33-34.

<sup>108</sup> 5 Cal. Code Regs. § 71930(f)

<sup>109</sup> EDC § 94927.5(a)

<sup>110</sup> Legal Aid Foundation of Los Angeles, *Letter to Assemblymember Berman regarding the Bureau for Private Postsecondary Education’s Recommendation in Sunset Review Report 2026 (AB 2771)* (Mar. 5, 2026), at 7.

of Training Document” as evidence of their training. However, under current law, institutions have no legal obligation to provide this form to students and can withhold it as leverage for payment. The Bureau recommends broadening the law to account for these additional types of student records.

On this issue, the Legal Aid Foundation of Los Angeles is concerned that institutions may withhold similar documents necessary for licensure or certification and recommends amending the law to prohibit an institution from withholding documentation required for any other license or certification.<sup>111</sup>

***Staff Recommendation:*** *The Bureau should provide the Committees suggested amendments to the Act that would assist students in having greater access to documentation of program completion.*

**ISSUE #32: (STUDENT TUITION RECOVERY FUND ELIGIBILITY) Is clarification needed to ensure eligible students are granted relief and to reduce the Bureau’s administrative burden?**

**Background:** EDC § 94923 details students’ eligibility for STRF, but the Bureau believes clarification would improve its ability to administer STRF. First, the Bureau suggests EDC § 94923(a) should be amended to clarify that a student’s economic loss must be connected to enrollment but does not have to materialize *during* enrollment. According to the Bureau, economic harm may not appear until after a student’s enrollment ends. Second, the Bureau wishes to use federal relief program eligibility as the basis for determining whether a student was harmed by a school closure or other unlawful activity, thereby streamlining the Bureau's determination process. Third, the Bureau wishes to further streamline STRF eligibility determinations by considering enforcement actions by other governmental entities, such as the AG, the Federal Trade Commission, and the Consumer Financial Protection Bureau, as well as private litigation. The Legal Aid Foundation of Los Angeles suggests expanding the Bureau’s proposal to ensure that all types of federal student loan discharges based on institutional misconduct are included as bases for STRF eligibility because students may still be liable for private student loans. Additionally, the Legal Aid Foundation of Los Angeles recommends clarifying that students who were promised loan discharge by the USED, but were unable to obtain those loan discharges, and also eligible for STRF relief.<sup>112</sup> Lastly, the Bureau proposes amending the law to allow attestations from STRF applicants and government agency findings to be used in determining STRF eligibility. According to the Bureau, the intent is to streamline relief and reduce the burden on both applicants and the Bureau. For example, if a student has sufficiently made a case to the USED for student loan relief such that their loans were discharged, the Bureau could use the fact of that discharge as evidence of the problem and would not require the claimant to submit documentation that they had enrolled in the institution in the appropriate timeframe or were impacted by a closure.

***Staff Recommendation:*** *The Committees may wish to amend STRF eligibility requirements to ensure that students who are eligible for federal student loan discharges based on institutional misconduct are also eligible for STRF. Additionally, the Committees may wish to consider how the Bureau’s administrative burden in administering the STRF can be reduced by streamlining eligibility determinations.*

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<sup>111</sup> Legal Aid Foundation of Los Angeles, *Letter to Assemblymember Berman regarding the Bureau for Private Postsecondary Education’s Recommendation in Sunset Review Report 2026 (AB 2771)* (Mar. 5, 2026), at 8.

<sup>112</sup> Legal Aid Foundation of Los Angeles, *Letter to Assemblymember Berman regarding the Bureau for Private Postsecondary Education’s Recommendation in Sunset Review Report 2026 (AB 2771)* (Mar. 5, 2026), at 9-10.

**ISSUE #33: (STUDENT TUITION RECOVERY FUND COLLECTION RANGE) Should the Legislature broaden the collection range for the STRF to lessen the frequency with which the Bureau must pause and resume assessments?**

**Background:** EDC § 94925 requires the Bureau to pause assessments when the STRF reaches \$25 million and to resume STRF assessments when the STRF falls below \$20 million. The Bureau reports that “the narrowness of this range creates administrative impossibilities for the Bureau, compliance challenges for approved institutions, and confusion for the students who pay into the fund.”<sup>113</sup> Specifically, the \$25 million cap does not account for the fact that, during the time it takes the Bureau to administratively modify the STRF assessment rate, STRF assessments are collected in unknown amounts, possibly exceeding the \$25 million cap. Moreover, the \$25 million cap does not consider unpaid liabilities. For example, in October 2023, the STRF balance exceeded \$26 million, but \$2 million in claims had not yet been paid, and the Bureau anticipated an additional \$11 million in claims not yet processed. Due to the cost and workload associated with frequent modifications to STRF assessments, the Bureau wishes for greater flexibility to maintain a STRF fund between \$15 million and \$25 million, rather than rigid mandates that require the Bureau to pause and resume STRF assessment collection when approaching or exceeding specific thresholds. Additionally, the Bureau recommends clarifying that an otherwise eligible student who enrolled during a period when STRF assessments were paused is eligible for STRF.

**Staff Recommendation:** *The Committees may wish to allow the Bureau to collect STRF assessments as necessary to maintain the STRF between \$15 million and \$25 million. Additionally, the Committees should clarify that students need not have paid into STRF to qualify for relief.*

**ISSUE #34: (INCOME SHARE AGREEMENTS) Should the Act be amended to protect students who use income share agreements to finance their education?**

**Background:** EDC § 94927 requires institutions to provide refunds to students unable to complete programs due to institutional or program closure. Additionally, EDC § 94923 authorizes students to obtain relief from the STRF if they have prepaid tuition. These protections do not extend to students who finance their education using an ISA because they have not prepaid tuition, nor have they made payments that would require a refund. While EDC § 94917 states that instruments of indebtedness are void and unenforceable unless, at the time of execution, the institution held an approval to operate or a valid out-of-state registration with the Bureau, there is no provision prohibiting the collection of such debts if the institution ceases to be approved after the notes of indebtedness are executed.

In a letter to the Committees, TICAS proposes “clarifying in statute that ISAs are subject to the same disclosure, redundant, and enforceability provisions applicable to private lending; extending STRF eligibility to students who incur qualifying debt obligations to finance their education; requiring standardized pre-enrollment disclosures of estimated repayment ranges and total payment caps; establishing cancellation and withdrawal rights for ISA participants; and clarifying that such instruments are unenforceable if an institution closes prior to program completion.”<sup>114</sup>

**Staff Recommendation:** *The Bureau should explain the impact this would have on its oversight work and the discussions it has had to explore the necessary oversight for this financing model.*

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<sup>113</sup> Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 92.

<sup>114</sup> The Institute for College Access and Success, *Letter to Senators Wahab and Perez and Assemblymembers Berman and Fong Regarding the BPPE Sunset Report* (Mar 3. 2026).

## **IMPLEMENTATION ISSUES**

**ISSUE #35: (RECENT LEGISLATION) What is the status of implementing recent legislation enacted since the Bureau's prior sunset review, and are clarifying or corrective amendments needed?**

**Background:** Since the Bureau's prior sunset review, the following bills have impacted the Bureau and/or its operations:

- SB 1433 (Roth), Chapter 544, Statutes of 2022. This was the previous sunset bill for the Bureau, reauthorizing the Act from January 1, 2023, to January 1, 2027. Changes to the Act included: allowing out-of-state institutions to register if they do not have all application information and exempting low-cost out-of-state institutions from registration; allowing the Bureau to establish thresholds that constitute limited physical presence; adding several new prohibited business practices; terminating an approval to operate when an institution closes and allowing the Bureau to select a closure date if one was not identified; and permitting public institutions from other states with a physical presence to apply for approval to operate.
- SB 887 (Committee on Business, Professions, and Economic Development), Chapter 510, Statutes of 2023. This bill made technical changes to the agencies under the DCA, including amendments to the Act, such as greater consistency in the use of specific terms and the addition of subdivisions to a multi-part prohibited business practice for clarity.
- SB 544 (Laird), Chapter 216, Statutes of 2023. This bill included several teleconferencing provisions that affected state bodies holding meetings. The bill enabled the Bureau to continue holding its advisory committee meetings virtually.
- SB 1526 (Committee on Business, Professions, and Economic Development), Chapter 497, Statutes of 2024. This bill made technical changes to the agencies under the DCA, including changes to the Act such as adopting gender-neutral language, establishing consistency in definitions of institutional and non-institutional charges, and specifying that internet disclosures must be up to date.
- AB 123 (Committee on Budget), Chapter 9, Statutes of 2025. The higher education budget trailer bill allowed STRF funds to cover the costs of claim administration and OSAR positions.
- AB 1504 (Berman), Chapter 197, Statutes of 2025. The sunset bill for the California Massage Therapy Council (CAMTC), this bill makes changes to the EDC to require massage schools to notify BPPE if they are under investigation by CAMTC.
- SB 470 (Laird), Chapter 222, Statutes of 2025. The Bagley-Keene Open Meeting Act authorizes teleconferencing meetings, but certain provisions would be repealed on January 1, 2026. This bill deletes the repeal date, making the teleconferencing provisions permanent, including allowing the Bureau to continue holding its advisory committee meetings virtually.
- SB 744 (Cabaldon), Chapter 425, Statutes of 2025. This bill allows for any accrediting agency recognized by the USED as of January 1, 2025, to keep that recognition until January 20, 2029, so long as the agency continues to operate in substantially the same manner.

- SB 861 (Committee on Business, Professions, and Economic Development), Chapter 592, Statutes of 2025. This bill makes technical changes to the agencies under the DCA, including changes to the Act such as deleting obsolete code sections, clarifying definitions for distance education and teach-outs, and specifying that disclosures provided to students must be current versions of those documents.

***Staff Recommendation:*** *The Bureau should inform the Committees of its progress in implementing recent legislation and notify the Committees of any constraints that prevent successful and complete implementation. In particular, the Bureau should explain what information it needs to move forward with regulations defining limited physical presence and establishing a registration process for institutions operating with limited physical presence in California, pursuant to SB 1433 (Roth), Chapter 544, Statutes of 2022. Additionally, the Bureau should opine on federal changes to accreditation and share whether legislation is necessary as follow up to SB 744 (Cabaldon), Chapter 425, Statutes of 2025. Additionally, the Bureau should elaborate on the duties of OSAR staff positions now funded by STRF.*

## **TECHNICAL CHANGES**

**ISSUE #36: (MISLEADING TERMINOLOGY AND DEGREE ACCREDITATION) Should the statute be amended to clarify terminology inconsistent with practice?**

**Background:** EDC §§ 94885 and 94885.7 use the term “suspended” to describe the status of degree programs that lose accreditation or fail to meet provisional approval requirements. According to the Bureau, this terminology suggests the possibility of reinstatement; however, once a program loses accreditation or fails to meet provisional approval requirements, its accreditation cannot be reinstated without restarting the process. A program suspended for failure to achieve accreditation may not operate and cannot achieve accreditation without operating. Therefore, the Bureau recommends replacing the terms “suspended,” “suspending,” and “suspension” with “terminated,” “terminating,” and “termination,” and repealing language that erroneously implies that a suspension may be lifted if an institution complies with specified requirements or has its accreditation reinstated.

***Staff Recommendation:*** *The Committees may wish to clarify the law as proposed by the Bureau.*

**ISSUE #37: (OBSOLETE PROVISIONS) Should the statute be amended to remove obsolete references?**

**Background:** EDC § 94885(b) begins with a reference to EDC § 94885.1, which was repealed on January 1, 2023. The Bureau notes that this language could be removed.

***Staff Recommendation:*** *To avoid uncertainty, the Committees should delete obsolete language.*

## **CONTINUED REGULATION OF PRIVATE POSTSECONDARY EDUCATION BY THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**

**ISSUE #38: (CONTINUED REGULATION BY BUREAU FOR PRIVATE POSTSECONDARY EDUCATION) Should the licensing and regulation of private postsecondary educational institutions be continued by the Bureau?**

**Background:** In 2024, in response to the Bureau’s funding challenges, the FoundationCCC was charged with conducting a funding study. The FoundationCCC determined, “there are larger questions about BPPE’s structure and placement within government that are worth exploring if California want to maximize its oversight of private postsecondary education.”<sup>115</sup> The study’s authors noted that “BPPE does not regulate professionals or vocations, rendering the placement of BPPE under DCA a mismatch in this regard.”<sup>116</sup> Recognizing how the higher education market has evolved, the study’s authors concluded that “the time has come for policymakers to revisit BPPE’s mission, function, organizational design, and placement within state government.”<sup>117</sup> According to the study, when asked, “the vast majority of parties interviewed for this report agreed that DCA no longer seems to be a good fit to house BPPE,” and further suggested that the BPPE would be more appropriately situated in a statewide higher education entity—one that presently does not exist.<sup>118</sup> The FoundationCCC suggests that the Bureau could be made a parallel department within the California Business Consumer Services and Housing Agency, or alternatively, that California establish a cabinet-level Department of Higher Education. According to the FoundationCCC:

Creating a new Department will better place oversight and accountability for private proprietary schools into the same space where public accredited, nonprofit, and Out-of-State schools are also being examined, while having the added benefit of bringing together career technical education with the private postsecondary vocational and trade institutions that provide further training. This new Department does not need to be limited by these functions only – it could service many of the roles and functions for which California has long been struggling to place.<sup>119</sup>

Irrespective of broader policy questions, the need for an effective state regulator of private postsecondary schools in California is at an all-time high amid diminishing federal oversight. Given that responsibility, it is critically important that the Bureau be properly equipped to achieve its consumer protection mission. While the Bureau has made great strides to improve its effectiveness, this sunset review identifies additional opportunities to enhance the Bureau’s oversight capacity and success.

**Staff Recommendation: *The Bureau should be continued, to be reviewed again on a future date to be determined.***

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<sup>115</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 35.

<sup>116</sup> *Ibid.*

<sup>117</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 36.

<sup>118</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 37.

<sup>119</sup> Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 38.