

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS
Marc Berman, Chair
AB 2771 (Committee on Business and Professions) – As Amended April 7, 2026

NOTE: This bill is double referred and passed out of the Assembly Higher Education Committee on April 14, 2026, on an 8-1-1 vote.

SUBJECT: California Private Postsecondary Education Act of 2009.

SUMMARY: Extends the sunset date for the Bureau for Private Postsecondary Education (Bureau or BPPE) until January 1, 2031, and makes additional technical changes, statutory improvements, and policy reforms in response to issues raised during the Bureau’s sunset review oversight process.

EXISTING LAW:

- 1) Enacts the California Private Postsecondary Education Act (Act) to provide for the regulation and oversight of private postsecondary schools, subject to repeal on January 1, 2023. (Education Code (EDC) §§ 94800 *et seq.*)
- 2) Establishes the BPPE within the Department of Consumer Affairs (DCA) to regulate private postsecondary educational institutions under Act. (EDC § 94820)
- 3) Exempts various institutions from the Act, as specified. (EDC § 94874)
- 4) Requires the Bureau to establish, by regulation, a process for an exempt institution to request and obtain from the Bureau verification that the institution is exempt. The verification shall be valid for a period of up to two years, as long as the institution maintains full compliance with the requirements of the exemption. (EDC § 94874.7)
- 5) Requires the Bureau, within 30 days of receiving notice from an institution of specified events, to request the institution explain in writing why the institution should be permitted to continue to enroll California residents. If the Bureau, after reviewing the information submitted in response to the request and after consultation with the Attorney General (AG), issues a written finding that there is no immediate risk to California residents from the institution continuing to enroll new students, the institution must be permitted, pending completion of a review by the Bureau, to continue to enroll new students or the Bureau may, in its discretion, limit enrollments. (EDC § 94801.5(b)(1))
- 6) Requires institutions exempt from the Act to still comply with laws relating to school closure and laws relating to fraud, abuse, and false advertising. (EDC § 94874.9)
- 7) Defines “postsecondary education” as a formal institutional educational program whose instruction is designed primarily for students who have completed or terminated their secondary education or are beyond the compulsory age of secondary education, including programs whose purpose is academic, vocational, or continuing professional education. (EDC § 94857)

- 8) Defines “private postsecondary educational institution” as a private entity with a physical presence in the state that offers postsecondary education to the public for an institutional charge. (EDC § 94858)
- 9) Defines “out-of-state private postsecondary educational institution” as a private entity without a physical presence in this state that offers distance education to California students for an institutional charge, regardless of whether the institution has affiliated institutions or institutional locations in California. (EDC § 94850.5)
- 10) Includes in the definition of “public higher education” the California Community Colleges, the California State University, and the University of California; defines “independent institutions of higher education” as nonpublic higher education institutions that grant undergraduate degrees or graduate degrees and are accredited by an agency recognized by the United States Department of Education. (EDC § 66010)
- 11) Requires the BPPE to adopt regulations establishing minimum operating standards for a private postsecondary educational institution, as specified. (EDC § 94885(a))
- 12) Requires an institution offering a degree to satisfy one of the following requirements:
 - a) Accreditation by an accrediting agency recognized by the United States Department of Education (USDE), with the scope of that accreditation covering the offering of at least one degree program offered by the institution.
 - b) An accreditation plan, approved by the Bureau, for the institution to become fully accredited within five years of the Bureau’s issuance of a provisional approval to operate to the institution’s degree programs.(EDC § 94885(b))
- 13) Requires an institution that has not been accredited by an accrediting agency recognized by the USDE and that seeks to offer one or more degree programs to satisfy the following requirements in order to be issued a provisional approval to operate degree programs from the Bureau:
 - a) The institution may not offer more than two degree programs during the term of its provisional approval to operate degree programs.
 - b) The institution must submit an accreditation plan, approved by the Bureau, for the institution to become fully accredited within five years of issuance of its provisional approval to operate degree programs.
 - c) The institution must submit to the Bureau all additional documentation the Bureau deems necessary to determine if the institution will become fully accredited within five years of issuance of its provisional approval to operate degree programs.(EDC § 94885.5(a))
- 14) Provides that if an institution is granted a provisional approval to operate degree programs, the following is required:

- a) Students seeking to enroll in that institution shall be notified in writing by the institution, before the execution of the student's enrollment agreement, that the institution's approval to operate is contingent upon it being subsequently accredited.
- b) Within the first two years of issuance of the provisional approval to operate degree programs, a visiting committee, empaneled by the Bureau, must review the institution's application for approval and its accreditation and make a recommendation to the Bureau regarding the institution's progress to achieving full accreditation.
- c) The institution must provide evidence of accreditation candidacy or pre-accreditation within two years of issuance of its provisional approval to operate degree programs, and evidence of accreditation within five years of issuance of its provisional approval to operate degree programs, with the scope of that accreditation covering the offering of at least one degree program.

(EDC § 94885.5(b))

Provides that an institution that fails to obtain accreditation by the dates provided, as required, or for which accreditation is removed or revoked by the accrediting agency, shall have its provisional approval to operate degree programs automatically suspended on the applicable date. The Bureau shall issue an order suspending the institution's degree programs and that suspension shall not be lifted until the institution complies with the requirements of this section or has its accreditation reinstated. An institution that has its degree programs suspended cannot enroll new students in any of its degree programs and shall execute a teach-out plan for its enrolled students in those degree programs. (EDC § 94885.5(c)(1))

- 15) Authorizes the BPPE to grant approval to operate only after an applicant has presented sufficient evidence to the Bureau, and the Bureau has independently verified the information provided by the applicant through site visits or other methods deemed appropriate by the Bureau, that the applicant has the capacity to satisfy the minimum operating standards; requires the BPPE to deny an application for an approval to operate if the application does not satisfy those standards. (EDC § 94887)
- 16) Specifies that the addition of a separate branch more than five miles from the main or branch campus is considered a substantive change and requires prior authorization from the Bureau. (EDC § 94894)
- 17) Enumerates prohibited business practices, including withholding a student's transcript as a debt collection tool. (EDC § 94897(s))
- 18) Provides that the recordkeeping requirements of the Act do not apply to an institution that is accredited, if the recordkeeping requirements of the accrediting organization are substantially similar to the recordkeeping requirements of the Act, as determined by the Bureau. (EDC § 94900.7)
- 19) Requires an institution that offers an educational program in a profession, occupation, trade, or career field that requires state licensure to have an educational program approval from the appropriate state licensing agency to conduct that educational program in order that a student

who completes the educational program is eligible to sit for any required licensure examination. (EDC § 94899)

- 20) Specifies that a student shall enroll solely by means of executing an enrollment agreement. The enrollment agreement shall be signed by the student and by an authorized employee of the institution. (EDC § 94902(a))
- 21) Specifies that if the institution has a general student brochure, the institution must provide that brochure to the prospective student before enrollment. In addition, if the institution has a program-specific student brochure for the program in which the prospective student seeks to enroll, the institution must provide the program-specific student to the prospective student before enrollment. (EDC § 94909(b))
- 22) Requires an enrollment agreement to include specified information, disclosures, and attestations. (EDC § 94911)
- 23) Requires each institution that participates in federal student financial aid programs, including, but not necessarily limited to, those programs authorized by Title IV of the federal Higher Education Act of 1965 or veterans' financial aid programs authorized pursuant to Section 21.4253 of Title 38 of the Code of Federal Regulations, to provide students with the Financial Aid Shopping Sheet as developed by the USDE to inform students or potential students about financial aid award packages prior to enrollment. (EDC § 94912.5)
- 24) Requires an institution to post its school catalog, School Performance Fact Sheets, and student brochures on its website. (EDC § 94913(a))
- 25) Requires an institution extending credit or lending money to an individual for institutional and noninstitutional charges for an educational program to cause any note, instrument, or other evidence of indebtedness taken in connection with that extension of credit or loan to be conspicuously marked on its face in at least 12-point type with the following notice:

“NOTICE”

“You may assert against the holder of the promissory note you signed in order to finance the cost of the educational program all of the claims and defenses that you could assert against this institution, up to the amount you have already paid under the promissory note.”

(EDC § 94916)
- 26) Establishes the Student Tuition Recovery Fund (STRF) to relieve or mitigate 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 economic loss. (EDC § 94923(a))
- 27) Specifies when students are eligible for payment from the STRF. (EDC § 94923(b)(2))
- 28) Prohibits the amount in the STRF from exceeding \$25 million and specifies that if the Bureau has temporarily stopped collecting the STRF assessments because the fund has approached the \$25,000,000 limit, the Bureau must resume collecting STRF assessments when the fund falls below \$20,000,000. (EDC § 94925)

- 29) Provides that prior to closing, an institution must provide the Bureau with copies of pertinent student records, including transcripts, in hardcopy or electronic form, as determined by the Bureau, pursuant to regulations adopted by the Bureau. (EDC § 94927.5(a)(1))
- 30) Requires the Bureau to indicate in an annual report, to be made publicly available on its internet website, the number of temporary restraining orders, interim suspension orders, and disciplinary actions taken by the Bureau, disaggregated by each priority category. (EDC § 94941(d))
- 31) Requires the Bureau to cite any person, and that person shall be subject to a fine not to exceed \$100,000, for operating an institution without proper approval to operate issued by the Bureau. The maximum fine for unlicensed activity is separate and not inclusive of fines for other violations or refunds ordered. (EDC § 94944)
- 32) Specifies that each institution shall be deemed to have authorized its accrediting agency to provide the Bureau, the AG, any district attorney, city attorney, or the Student Aid Commission, within 30 days of written notice, copies of all documents and other material concerning the institution that are maintained by the accrediting agency. (EDC § 94944.5)
- 33) Specifies that within 30 days of receiving a written notice from the Bureau, the AG, district attorney, city attorney, or the Student Aid Commission, an accrediting agency must provide the requesting entity with all documents or other material concerning an institution accredited by that agency that are designated specifically or by category in the written notice. (EDC § 94944.6)
- 34) Requires the Director of Consumer Affairs to provide written updates to the Legislature every six months describing the Bureau's progress in protecting consumers and enforcing the provisions of the Act. (EDC § 94948)
- 35) Subjects the BPPE to legislative oversight through the sunset review process, which provides for the Act and the authority of the BPPE to be automatically repealed as of January 1, 2027, unless a later enacted statute deletes or extends that date. (EDC § 94950)

THIS BILL:

- 1) Specifies that the Bureau, upon receipt of specified notifications or complaints regarding out-of-state institutions, may request from the institution, and the institution must provide, information necessary to determine whether the institution's registration should be revoked or have conditions placed upon it.
- 2) Clarifies and narrows exemptions for:
 - a) Institutions offering educational programs to members of a bona fide trade, business, professional, or fraternal organization,
 - b) Religious institutions offering religious courses,
 - c) Institutions that do not award degrees and that solely provide educational programs for less than \$2,500, and
 - d) Flight instruction providers or programs.

- 3) Specifies that, in response to a request for exempt status verification, the Bureau may approve the request, deny the request, or determine that it is unable to verify the exemption.
- 4) Prohibits the Bureau from granting a verification of exemption to an institution under either of the following conditions:
 - a) The institution previously held an approval to operate and has an outstanding citation or fine, or is under discipline.
 - b) The institution offers one or more programs designed to lead to licensure that do not hold approval from the pertinent licensing body or bodies.
- 5) Specifies that a Bureau determination pertaining to a verification of exemption is not an adverse administrative action and is not subject to appeal.
- 6) Specifies that verification of exemption is not required to operate as an exempt institution.
- 7) Requires the Bureau to establish a reasonable fee to reimburse the Bureau's costs associated with a request for verification.
- 8) Requires institutions offering degrees to be accredited by one or more accrediting agencies recognized by the USDE, with the scope of that accreditation covering all degree programs offered by the institution.
- 9) Prohibits an institution that has not been accredited by an accrediting agency recognized by the USDE from offering more than two degree programs during the term of its provisional approval to operate degree programs and limits enrollment of students on student visas to no more than 25 percent of total enrollment in any provisionally approved degree program.
- 10) Repeals a requirement that the Bureau, within the first two years of issuance of the provisional approval to operate degree programs, empanel a visiting committee to review the institutions application for approval and its accreditation plan, and make a recommendation to the Bureau regarding the institution's progress to achieving full accreditation and instead authorizes the Bureau, at its discretion, to empanel a visiting committee within four years.
- 11) Replaces the term "suspended" with "terminated."
- 12) Specifies that an institution with a provisionally approved degree program that is terminated by the Bureau or surrendered by the institution cannot apply for a provisional approval to operate degree programs until two years after the date of the prior termination or surrender.
- 13) Removes the requirement that the Bureau independently verify information provided by applicants for an approval to operate, and prohibits the Bureau from granting an approval to operate unless the applicant has satisfied the minimum operating standards.
- 14) Specifies that a nondegree program not within the scope of accreditation will not be included as an approved program by the Bureau without the express written consent of the institution's accrediting agency.
- 15) Requires an institution to demonstrate its continued compliance with the minimum operating standards to be granted a renewal of an approval to operate.

- 16) Specifies that the addition of a separate branch (any distance from the main or branch campus) is considered a substantive change to an approval to operate and requires prior authorization.
- 17) Prohibits an institution from withholding documentation, as specified, because the student owes a debt or as a tool for debt collection.
- 18) Repeals an exemption to recordkeeping requirements that are substantially similar to the recordkeeping requirements of an institution's accreditor.
- 19) Requires enrollment agreements to be dated and include a description of the method of delivery that will be used for instruction in the educational program.
- 20) Specifies that, if an institution has a handbook or other student-facing materials that provide additional clarity about the information or policies required to be included in the school catalog, the institution must provide those materials to the prospective student before enrollment. In addition, if the institution has program-specific materials for the program in which the prospective student seeks to enroll, the institution must provide them to the prospective student before enrollment.
- 21) Requires the "STUDENT'S RIGHT TO CANCEL" disclosure in an enrollment agreement to list the date of the first class session.
- 22) Requires an enrollment agreement to state that students must be given a copy of the institution's current handbook, as applicable.
- 23) Repeals an enrollment agreement attestation stating "I certify that I have received the catalog, School Performance Fact Sheet, and information regarding completion rates, placement rates, license examination passage rates, salary or wage information, and the most recent three-year cohort default rate, if applicable, included in the School Performance Fact Sheet, and have signed, initialed, and dated the information provided in the School Performance Fact Sheet."
- 24) Updates the name of a federal financial aid document required to be provided to students and requires institutions to keep a copy of this document with other student records.
- 25) Requires an institution that maintains an internet website to provide on that website a current version of handbooks or other student-facing materials offered by the institution that provide additional clarity about the information or policies required to be included in the school catalog.
- 26) Modifies a required notice to students from institutions directly or indirectly receiving proceeds from a credit contract, and establishes that it is a violation of law for an institution to directly or indirectly receive proceeds from a credit contract that does not contain this required notice.
- 27) Authorizes the STRF to relieve or mitigate economic loss suffered by a student *in connection with enrollment in* an institution, as specified (emphasis added to distinguish from current law).

- 28) Allows the Bureau to rely on findings by an oversight entity, as defined, when determining if there was a significant decline in the quality or value of a program more than 120 days before closure.
- 29) Specifies that students to whom a government body, at any point, designates as eligible for relief under a program that addresses unlawful activity or closure, including, but not limited to, a refund, restoration of benefits, or loan discharge program such as federal "Closed School Discharge," "False Certification," or "Borrower Defense" programs is eligible for STRF.
- 30) Specifies that a student who have been awarded relief, inducing but not limited to, an enforcement action, settlement agreement, debt relief determination, or monetary award for an arbitrator or court, based on unlawful activity by an institution or representative of an institution, but who has been unable to collect the award from the institution or obtain debt cancellation, is eligible for STRF.
- 31) Provides that in making a determination about student eligibility and economic loss, in addition to evidence submitted with an application, the Bureau may consider all available evidence, including, but not limited to, evidence obtained in the Bureau's investigation and enforcement functions and evidence available to the Bureau that is obtained in the course of oversight and enforcement actions by an accreditor, other government agency, or private adjudication. Requires the Bureau to take into account the availability of records and allows the Bureau to accept an attestation or other substantiation as deemed appropriate.
- 32) Repeals a \$25 million cap on the STRF and a requirement for the Bureau to resume collecting STRF assessments when the fund falls below \$20 million, and instead specifies, that in determining the amount of STRF assessments to collect from each student as specified, the Bureau must strive to maintain a fund balance in the STRF between \$15 million and \$25 million.
- 33) Requires an institution to provide the Bureau with copies of pertinent student records, as specified, and a plan for the retention of records and transcripts, as applicable, pursuant to regulations adopted by the Bureau, rather than prior to closing.
- 34) Specifies that copies of pertinent student records provided to the Bureau must be in electronic form.
- 35) Repeals a requirement for the Bureau to indicate in an annual report the number of temporary restraining orders, interim suspension orders, and disciplinary actions taken by the Bureau, disaggregated by each priority category.
- 36) Requires the Bureau to cite and fine any person up to \$100,000 for offering or providing to the public educational programs without proper approval to operate issued by the Bureau, as specified.
- 37) Specifies that each institution will be deemed to have authorized any accrediting agency from which it is pursuing accreditation to provide the Bureau, the AG, any district attorney, city attorney, or the Student Aid Commission, within 30 days of written notice, copies of all documents and other material concerning the institution that are maintained by the accrediting agency.

- 38) Requires an accrediting agency, within 30 days of receiving a written notice, to provide the Bureau, the AG, district attorney, city attorney, or the Student Aid Commission with all documents or other material concerning an institution in pursuit of accreditation by that agency, as specified.
- 39) Make a biannual report to the Legislature due annually.
- 40) Extends the Bureau's sunset date until January 1, 2031.
- 41) Repeals obsolete dates and makes other technical, clarifying, and conforming changes.

FISCAL EFFECT: Unknown; this bill is keyed fiscal by the Legislative Counsel.

COMMENTS:

Purpose. Each year, the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development hold joint sunset review oversight hearings to review the licensing boards under the Department of Consumer Affairs (DCA). The DCA boards are responsible for protecting consumers and the public and regulating the professionals they license. The sunset review process provides an opportunity for the Legislature, DCA, boards, and stakeholders to discuss the boards' performance and make recommendations for improvements.

Each board subject to review has an enacting statute with a repeal date, meaning their authority must be extended by the Legislature before the repeal date, otherwise the board will lose its statutory mandate. This bill is a "sunset" bill, intended to extend the repeal date of two DCA boards, the Board of Psychology and the Board of Behavioral Sciences, as well as incorporate the recommendations from the sunset review oversight hearings.

This year, there are five sunset review bills authored by the chair of the Assembly Committee on Business and Professions and five bills authored by the chair of the Senate Committee on Business, Professions and Economic Development.

Background.

Overview of Higher Education Regulation. The 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 BPPE 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. Before 1990, private higher education institutions were regulated by the Private Postsecondary Education Division of the California Department of Education, but by the late 1980s, California developed a reputation as the "diploma mill capital of the world." After numerous legislative attempts to remedy the laws and structure governing the regulation of private postsecondary institutions, AB 48 (Portantino), Chapter 310, Statutes of 2009, was enacted to establish the Bureau and California Private Postsecondary Education Act of 2009 (Act), which took effect January 1, 2010. The Act provided the regulatory framework for oversight of private postsecondary educational institutions operating with a physical presence in California. A complete history of the Bureau can be found on pages 1-6 of the BPPE Joint Sunset review [background paper](#).

Today, the Act 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.

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.

The Bureau is advised by a 12-member advisory committee comprised of institutional representatives, former students, consumer advocates, and members of the public. The Bureau is a voting member of the National Association of State Administrators and Supervisors of Private Schools. The Bureau is authorized for 111 positions. Regulatory and licensing fees are intended to fully fund the Bureau's operations. The Bureau recommends increasing most statutorily established fee levels to avoid becoming insolvent in FY 2027-28.

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.¹ 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.² 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.

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 Western Association of Schools and Colleges (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.

WASC-accredited schools that are exempt from the Bureau’s oversight may 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.³

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

¹ Educ. Code § 94886

² Educ. Code § 94949.8

³ 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.

with the Bureau.^{4 5} The Bureau reports that 138 out-of-state schools have registered with the Bureau.

The Bureau is charged with enforcing the Act. The Bureau investigates complaints and conducts compliance inspections. When the Bureau determines that an institution has violated the Act, the Bureau is authorized to take enforcement action ranging from a citation and fine to formal discipline (e.g., license probation or revocation).

The OSAR within the Bureau is charged with advancing and promoting the rights of prospective, current, and past students of private postsecondary institutions. The OSAR administers the STRF, established in 1978 to relieve or mitigate economic losses suffered by a California student who prepaid tuition to an approved institution, and it continues to provide financial relief to students today. 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.

SUNSET ISSUES FOR CONSIDERATION

In preparation for the sunset hearings, committee staff publish background papers that identify outstanding issues related to the entity being reviewed. All background papers are available on the committee's website: <https://abp.assembly.ca.gov/hearings/joint-sunset-review-oversight-hearings>. While all of the issues discussed in the background papers remain available for discussion, the following issues are those addressed in this bill:

- 1) *Sunset Issue #2: Reporting Requirements.* 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.”⁶ 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.

⁴ Educ. Code § 94801.5

⁵ The Bureau provides no oversight for schools located outside of the country and enrolling California students online.

⁶ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 94.

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

BPPE Response: The Bureau appreciates the endorsement of decreasing current reporting mandates, facilitating maximum focus on its licensing, enforcement, and student-focused work without compromising transparency and accountability.

Committee Recommendation: This bill makes the biannual reporting requirement an annual one.

- 2) *Sunset Issue #6. Accrediting Agency Documents.* 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 in the Background Paper: The Committees should ensure the Bureau has access to documentation relevant to an institution's accreditation pursuit.

BPPE Response: The Bureau thanks the Committees for their recommendation to strengthen the Bureau's consumer protection through better accreditor transparency throughout the licensing lifecycle. Allowing access to these documents for institutions seeking accreditation will enable the Bureau to better track accreditation progress and improve its licensing and monitoring efforts for those institutions.

Committee Recommendation: This bill authorizes the Bureau to review documents from an accrediting agency pertaining to an institution that is pursuing accreditation by that agency.

- 3) *Sunset Issue #7. Visit Committee Reviews of Degree-Granting Institutions Not Yet Accredited.* Degree-granting institutions must be accredited or in the process of becoming accredited by an accrediting agency recognized by the USED.⁷ 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 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.

⁷ Educ. Code § 94885(b)

Staff Recommendation in the Background Paper: 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.

BPPE Response: Since the Bureau has been tasked with monitoring the accreditation progress of degree-granting institutions, Visiting Committee Reports (VCRs) have been a standard component of this process. At the time when these requirements were instituted in 2015, they primarily applied to pre-existing institutions that were established, equipped, and expected to take immediate action toward securing accreditation. However, a decade later, the set of institutions to which these requirements apply has changed, necessitating evolution of the requirements.

The Bureau has recommended two changes in this area: to expand the timeframe for visiting committees to take place, and to make them optional at the Bureau's discretion. More detail on each recommendation is below. Expanding the VCR timeline will allow the Bureau to conduct more meaningful evaluations, support institutions more effectively, and ensure that oversight practices align with the realities of accreditation eligibility and process. Additionally, providing the Bureau with greater discretion to determine when a VCR is warranted will help avoid unnecessary reviews for institutions making appropriate progress, while still enabling timely intervention for those at risk of noncompliance.

Expansion of timeframe: Minimum eligibility requirements for many accreditors necessitate that an institution be sufficiently established before applying. These requirements commonly include, but are not limited to, operating for a minimum of one to two years, graduating students from at least one degree program, collecting and reporting enrollment trends and demographic data, and meeting commission review deadlines. Many provisionally approved institutions are newly formed entities without any operational history, making them unable to pursue accreditation for several years after commencing operations.

The intent of the VCR is to evaluate whether an institution is positioned to meet both pre-accreditation/candidacy and full accreditation benchmarks, but the likelihood of future success cannot be determined when only introductory steps have been completed. Between January 2021 and January 2026, approximately 30 percent of institutions pursuing accreditation were ineligible to take substantive steps toward accreditation during the required VCR period because their programs had not been operational for a long enough period of time, resulting in VCRs that contained overly broad or generic comments.

Expanding the Bureau's VCR timeline, as needed, from two years to four years would provide institutions with sufficient time to undertake tangible actions and achieve significant milestones in the accreditation process.

Making VCRs optional: The Bureau conducts substantial routine monitoring of all institutions offering provisionally approved degree programs, with Visiting Committee reviews just one component of that process. Within the standard timeframes allowed for accreditation pursuit, Bureau correspondence is sent at 12, 18, 36, and 54 months, supplemented by periodic informal emails and calls. These check-ins request updates on progress since initial degree approval and since the previous reporting period. They also provide institutions with an opportunity to disclose any change in accretion or decisions to discontinue pursuing accreditation. This information enables the Bureau to actively guide

institutions, facilitate extension requests when needed, or initiate the surrender of degree programs.

For institutions progressing towards accreditation as expected, convening a visiting committee may be redundant with existing efforts, because the institutions are on track and not in need of additional guidance or support. Approximately 20 percent of institutions pursuing accreditation between January 2021 and January 2026 fell into this category. Conversely, a VCR remains a valuable tool in cases where progress is not sufficient, and particularly when suspension of a degree program is warranted. A review by Bureau staff, supported by an accreditation subject matter expert, can further substantiate the need for such action.

Committee Recommendation: This bill grants the Board discretion to assemble a visiting committee within four years of an institution’s provisional approval to operate degree programs.

- 4) *Sunset Issue #8. Scope of Institutional Accreditation.* 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.”⁸ Therefore, the Bureau proposes to require accreditation for all degree programs offered by a school.

Staff Recommendation in the Background Paper: 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.

BPPE Response: The law directs the Bureau to provide a streamlined approval to operate to an institution accredited by an agency recognized by the U.S. Department of Education, with the goal of reducing duplication in review processes. This streamlined process is called “approval by means of accreditation.” However, this concept does not hold when accredited institutions seek a Bureau approval that does not align with what its accreditor has reviewed and approved, because it leaves consumers unprotected and provides a false sense of security about what “approval” signifies. The Bureau’s goal with these recommendations is to ensure that these programs are subject to oversight and students are protected.

⁸ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 69.

The Bureau is happy to provide an example of the challenges faced in this area. In a recent example, an institution approved by means of accreditation was undergoing a review with its accrediting agency, during which the accrediting agency determined that two of an institution's four programs did not meet required standards. The institution had the choice of bringing the programs into compliance or discontinuing the programs, and it chose discontinuation.

Upon receiving notice of the discontinuation from the accreditor, the Bureau reached out to the institution to confirm that the two programs being discontinued would similarly be removed from the approval granted by the Bureau. The institution clarified that it intended to discontinue the programs with the accreditor only. Its intent was for the programs to remain Bureau-approved, while offering them to students as "unaccredited programs."

This is not disallowed under current law. However, it raises significant concerns regarding consumer protection and is at odds with the concept behind approval by means of accreditation. In this instance, the Bureau was aware that the program does not meet accrediting agency standards, and also that the accreditation explicitly disallows the institution from offering the programs, but the Bureau is neither authorized to deny nor review the programs itself.

The Bureau's recommendation would allow it to tie its own approval to that of the accreditors, to ensure that approval by means of accreditation is not used, counterintuitively, as a way to operate unaccredited programs without review.

Committee Recommendation: This bill specifies that a nondegree program not within the scope of accreditation will not be included as an approved program by the Bureau without the express written consent of the institution's accrediting agency and requires all degree-granting programs to be accredited.

- 5) *Sunset Issue #9: Unaccredited Degree-Granting Institutions.* 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 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 in the Background Paper: 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.

BPPE Response: The Bureau thanks the Committees for their consideration of these recommendations, both of which would enhance consumer protections by ensuring that students are not adversely affected by institutions that are cycling through accreditors to maintain provisional approval without ever obtaining full accreditation.

Committee Recommendation: This bill establishes a two-year waiting period before institutions can reapply for provisional approval and limits enrollment of international students in provisionally approved degree programs at 25 percent.

- 6) *Sunset Issue #10. Exemption Categories.* According to the Bureau, the following exemptions could be tightened to improve its oversight and consumer protection:
- a) 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.”⁹ 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.
 - b) 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 Intelligence Data Security and the Bible.”¹⁰ The Bureau recommends clarifying in statute that the use of religious terminology in a degree title is insufficient for an exemption.
 - c) 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

⁹ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76.

¹⁰ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76.

words within this exemption challenge the Bureau’s ability to enforce it meaningfully.”¹¹ 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).”¹² 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.

- d) 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.¹³ 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 in the Background Paper: The Committees may wish to consider the additional consumer benefits to be gained by narrowing the exemptions as requested by the Bureau.

BPPE Response: As outlined in its sunset report, the Bureau does believe there are loopholes in existing exemption categories. For more on the Bureau’s findings and recommendations in this area, please see the Bureau’s new issue #13 in its sunset report. Addressing loopholes in exemption categories is a top Bureau priority to minimize student harm, improve clarity, and increase enforcement efficiency. The Bureau looks forward to collaborating with the Committees on this initiative.

Committee Recommendation: This bill clarifies and narrows exemptions as recommended by the Bureau.

- 7) *Sunset Issue #11. Exemption Verification.* 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.¹⁴ Bolstered by generative artificial intelligence, these counterfeit websites advertise fake schools or schools that have closed.¹⁵ According to the Bureau, some operators of these websites have been abusing the Bureau’s exemption verification.

¹¹ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 78.

¹² Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 76-77.

¹³ Educ. Code § 94944

¹⁴ Chris Quintana, *Zombie Colleges? These Universities Are Living Another Life Online, and No One Can Say Why*, USA TODAY (May 9, 2024).

¹⁵ Josh Moody and Kathryn Palmer, *Inside a Network of Fake College Websites*, INSIDE HIGHER ED (Aug. 14, 2025).

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, admissions deadlines or policies, or program offerings.¹⁶ 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."¹⁷

Staff Recommendation in the Background Paper: 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.

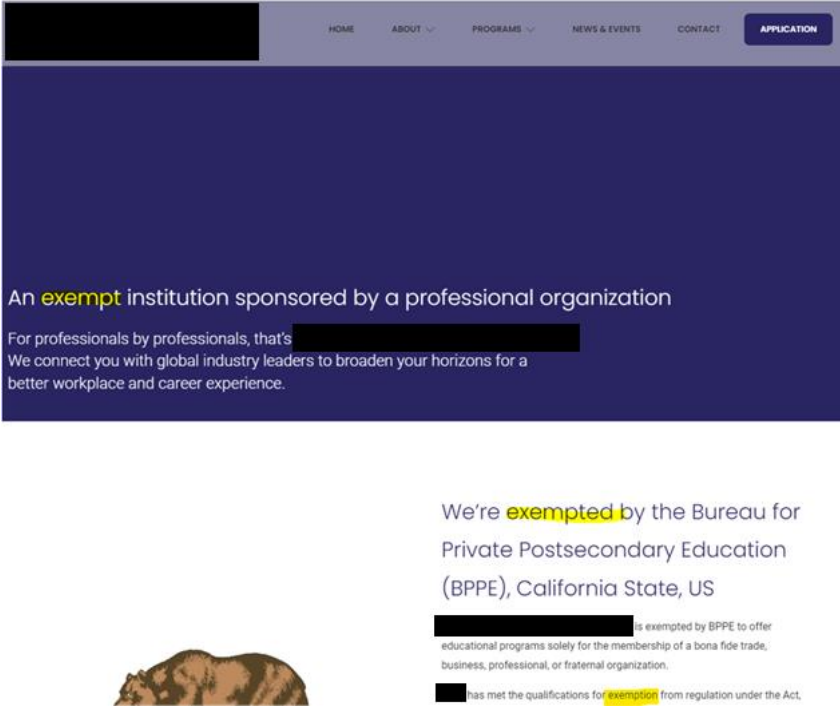
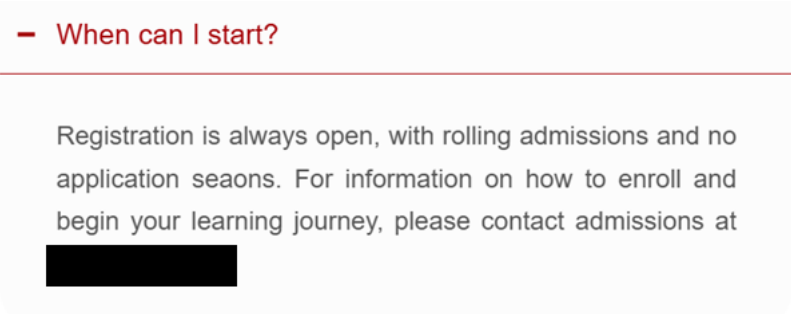
BPPE Response: The Bureau welcomes the opportunity to provide examples of the types of concerns it has seen in the verification of exemption for questionable institutions. The table below lists commonalities amongst the questionable applications alongside illustrations of the concern. The table additionally provides an example of the challenge in determining what constitutes a "bona fide" organization, and what it means to "sponsor" educational programs, as EDC section 94874(b)(1) pertains to institutions "offering educational programs to members of a bona fide trade, business, professional, or fraternal organization that is separate and distinct from the institution and that sponsors the educational programs."

Additional commonalities not illustrated below (due to challenges with retaining anonymity) include:

- Faculty or core administrators are listed as being heavily involved with three or more exempt institutions (e.g., the same individual is listed as Chief Academic Officer);
- Institution names that connote prestige and emphasize a California location, generally using the name of the state or prominent locations within it; and
- Questionable main campus locations, such as a P.O. Box or shared workspaces.

¹⁶ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 75.

¹⁷ *Ibid.*

Commonalities Across Problematic Verification of Exemption Applications	
Concern	Example
<p>Repeated references to exemption from Bureau approval requirements, often implying that exemption is related to quality program offerings.</p> <p>In this case, the institution's homepage references exemption three times and there is no mention of the institution's programmatic focus.</p>	
<p>Statements that are at odds with how institutions typically operate (e.g., no timelines for admissions or course starts).</p> <p>As seen here, typos are not uncommon.</p>	

Lists of affiliations with “accrediting agencies” designed to suggest the educational offerings have been deemed high-quality by trusted sources.

In this sample, none of the entities listed are recognized by the U.S. Department of Education or the Council for Higher Education Accreditation (CHEA).

Accreditation



Accreditation Service for International Schools, Colleges & Universities (ASIC)

What is ASIC Accreditation?

What are the benefits of Studying at an ASIC UK Accredited Institution?

[REDACTED] holds International Accreditation from ASIC (Accreditation Service for International Schools, Colleges, and Universities).

ASIC Accreditation is a leading, globally recognised quality standard in international education. Institutions undergo an impartial and independent external assessment process to confirm their provision meets rigorous internationally accepted standards, covering the whole spectrum of its administration, governance, and educational offering. Achieving ASIC Accreditation demonstrates to students and stakeholders that an institution is a high-quality education provider that delivers safe and rewarding educational experiences and is committed to continuous improvement throughout its operation.

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International Organisation Committed to Advancing E-Learning

What is ELQN Accreditation?

What are the benefits of Studying at an ELQN Accredited Institution?

ELQN Accreditation, awarded by the E-Learning Quality Network, signifies that an institution meets rigorous standards in e-learning and digital education. This recognition ensures the quality of online learning programs, effective management, and advanced technological integration, demonstrating a commitment to excellence in providing innovative and high-quality e-learning experiences.

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International Association for Quality Assurance in Pre-Tertiary and Higher Education (QAHE)

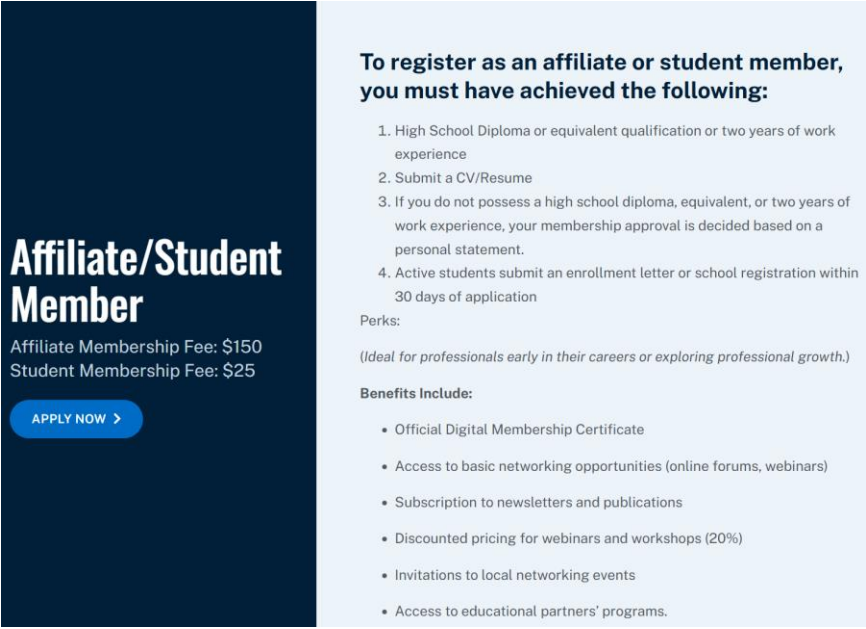
What is QAHE Accreditation?

What are the benefits of Studying at QAHE Accredited Institution?

International Association for Quality Assurance in Pre-Tertiary and Higher Education (QAHE), registered in Delaware USA, is an independent, private, and international organization. QAHE is an expert in recognizing higher education institutions for research performances, student services and quality of teaching to value the confidence of the public along with supporting the development of quality assurance systems worldwide.

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<p>Negligible admissions requirements and inconsistent statements across the website.</p> <p>In this case, the website FAQ shows admissions criteria for three degree levels as well as “microcredentials.” However, the website’s list of programs does not include doctoral degrees or microcredentials.</p>	<p>- What are the admission requirements?</p> <hr/> <p>Bachelor’s Degree: An official high school transcript or diploma. Master’s Degree: An official bachelor’s degree transcript or diploma. Doctoral Degree: An official master’s degree transcript or diploma.</p> <p>Microcredentials: A valid official identification card.</p> <p>On a case by case basis, we may accept work experience in lieu of qualifications.</p>
<p>Indications that the entity provides diplomas for show, with little education provided or student engagement expected.</p> <p>In this example, the institution’s brief FAQ focuses on how credentials can be easily shared on social media.</p>	<p>Frequently Asked Questions (FAQ)</p> <ul style="list-style-type: none">When can I enroll? +What is the entry requirement of this program? +What are the required documents for this program? +Do you provide study materials? +What is the assessment method for this course? +How will the institution send me the award? - <p>We will send you a high-resolution electronic version of your award issued on blockchain technology. This tamper-proof verifiable digital credential can be shared on social media platforms such as Facebook, LinkedIn, and Twitter.</p> <p>* Any other questions? Click here to submit a question</p>

<p>Questionable “sponsor” organizations and relationships (for exemptions pursuant to EDC section 94874(b)(1)).</p> <p>This screenshot is of an organization, not an institution seeking exemption, for which nearly anyone can become a member. This organization “sponsors” several exempt institutions, including some founded by the person who established sponsoring organization.</p>	 <p>To register as an affiliate or student member, you must have achieved the following:</p> <ol style="list-style-type: none">1. High School Diploma or equivalent qualification or two years of work experience2. Submit a CV/Resume3. If you do not possess a high school diploma, equivalent, or two years of work experience, your membership approval is decided based on a personal statement.4. Active students submit an enrollment letter or school registration within 30 days of application <p>Perks:</p> <p><i>(Ideal for professionals early in their careers or exploring professional growth.)</i></p> <p>Benefits Include:</p> <ul style="list-style-type: none">• Official Digital Membership Certificate• Access to basic networking opportunities (online forums, webinars)• Subscription to newsletters and publications• Discounted pricing for webinars and workshops (20%)• Invitations to local networking events• Access to educational partners' programs.
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Committee Recommendation: This bill authorizes the Bureau to deny verification of an exemption or determine that it is unable to verify an exemption, prohibits the Bureau from verifying an exemption if the institution had a previous approval to operate and has an outstanding disciplinary action, and clarifies that the Bureau’s decision is not subject to appeal.

8) *Sunset Issue #13. Definition of “Substantive Change.”* 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 in the Background Paper: 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.

BPPE Response: Ensuring that any institution's new locations comply with Bureau regulations, regardless of their distance from a main or branch location, strengthens the Bureau's oversight authority and enhances its ability to protect California consumers. The Bureau appreciates the Committee's support on this issue.

Committee Recommendation: This bill requires institutions to obtain the Bureau’s approval prior to opening a new branch any distance from a main or branch campus.

- 9) *Sunset Issue #15. Out-of-State Registered Institutions.* Out-of-state private for-profit institutions enrolling California students in online education programs must register with the Bureau.¹⁸ 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 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.¹⁹ 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.”²⁰ 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 in the Background Paper: 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

¹⁸ EDC § 94801.5

¹⁹ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 80.

²⁰ Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 25-26.

number of unregistered institutions enrolling California students and identify barriers to enforcement.

BPPE Response: The Bureau appreciates the Committees' consideration of its proposal for EDC section 94801.5(b)(1).

With respect to unregistered institutions enrolling California students, there are several challenges in enforcing registration requirements. Identifying these schools is the first obstacle: many use shifting brand names, third-party marketing services, or frequently changing websites, making it difficult to determine how many are operating. The Bureau has received 52 complaints about such institutions in the past 3.5 years.

Additional enforcement challenges include:

- Most unlicensed activity investigations require site visits, which are generally impractical for institutions outside California, making violations costly and difficult to document.
- Many providers suspected to be enrolling California students are unregistered with the Secretary of State as an out-of-state corporation, meaning that these providers are difficult to locate and to serve with citations or other disciplinary matters.
- Legal action may need to go through the institution's home state, rather than California, adding complexity and cost.

While these constraints are not easily solved, there are some statutory changes that would support the Bureau in taking action against unregistered providers in cases where action is determined to be both warranted and feasible:

1. Clarifying in EDC section 94886 that out-of-state institutions must register before enrolling California students online, and by clarifying in EDC section 94944 that unlicensed activity fines apply equally to institutions that fail to register when required.
2. Addressing the language discrepancy outlined in Issue #11 of the Committee Background Paper, between "offer" and "provide," to support the Bureau's ability to effectively address unlicensed activity generally.
3. Aligning exemptions for out-of-state institutions with those applied to in-state schools would promote consistency and reduce industry confusion about the types of institutions that must register with the Bureau.

Committee Recommendation: This bill repeals the existing requirements and authorizes the Bureau to request, and requires registered institutions to provide, information the Bureau deems necessary to determine whether the institution's registration should be revoked or be subjected to conditions.

- 10) *Sunset Issue #18. Institution Application Information Verification and Minimum Operating Standards.* 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."²¹ 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."²² 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 in the Background Paper: The Committees may wish to strengthen the Bureau's enforcement authority by amending EDC §§ 95887 and 94891 as proposed by the Bureau.

BPPE Response: The Bureau appreciates the Committees' support in strengthening its enforcement authority through the recommended amendments, by eliminating impracticable review standards and focusing its application reviews.

Committee Recommendation: This bill repeals the requirement that the Bureau independently verify application information and requires institutions to satisfy the minimum operating standards.

- 11) *Sunset Issue #20. Recordkeeping Exemption for Accredited Institutions.* 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 in the Background Paper: 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.

²¹ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 65.

²² Educ. Code § 94887

BPPE Response: Records maintenance is not simply about paperwork; it is fundamental to the Bureau's ability to determine whether institutions have or have not complied with critical consumer protection requirements in the law. Failure to maintain proper records may subject an institution to discipline, typically citation, but it may also shield the institution from stronger discipline if it effectively hides noncompliance of more serious violations. For example, if an institution does not maintain proper records of refunds they have provided to students, the Bureau cannot prove that the institution failed to provide refunds.

Institutions' failure to maintain required documentation is a common cause of discipline for Bureau-approved institutions. Upon appeal, some of these institutions argue that, as accredited institutions, only their accrediting agencies' retention policies apply. This is a misreading of the law, and the confusion poses substantial challenges to the Bureau's ability to determine whether student harm has occurred. Repealing the exemption would reduce the cause for confusion.

No new reporting would be required, because this is an existing requirement. The provision exempting accredited institutions from recordkeeping requirements only applies in cases where "the recordkeeping requirements of the accrediting organization are substantially similar to the recordkeeping requirements of this article, as determined by the bureau." The Bureau has never made such a determination, and so the exemption has no effect. Further, to explore this issue more deeply, the Bureau met separately with six accrediting agencies that accredit the majority of institutions approved by means of accreditation. To the extent that the agencies had recordkeeping policies, none were similar to those of the Bureau, and all agencies reported general deference to Bureau recordkeeping rules to simplify compliance for institutions.

Committee Recommendation: This bill repeals the exemption, thereby subjecting all institutions to the same reporting requirements.

- 12) *Sunset Issue #22. Student Handbooks and Other Student-Facing Materials.* 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 in the Background Paper: The Committees may wish to amend the law as necessary to ensure prospective students have adequate information to make informed enrollment decisions.

BPPE Response: Ensuring that current and prospective students have access to all materials needed to fully understand their programs and institutional policies is core to the Bureau's mission of consumer protection. The Bureau thanks the Committees for their commitment to transparency and ensuring consumers can make informed choices about their education.

Committee Recommendation: This bill requires institutions to provide handbooks and other student-facing materials to students before enrollment.

- 13) *Sunset Issue #23. Purchase-Money Loan Contracts.* 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' rights under the federal rule."²³ 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 in the Background Paper: 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.

BPPE Response: The Bureau appreciates the Committee's efforts to eliminate a loophole and hold institutions accountable when they accept payments from third-party lenders that lack the necessary notice. By aligning the language in EDC section 94916 with the federal "Holder Rule," the Bureau can more effectively safeguard students against fraudulent or defective educational products.

Committee Recommendation: This bill closes the loophole and prohibits institutions from accepting payments from third-party lenders who do not notify students of their right to sue for relief.

- 14) *Sunset Issue #24. Institutional Financial Aid Disclosure.* 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 in the Background Paper: The Committees may wish to consider requiring institutions to retain additional documentation for inspection by the Bureau.

BPPE Response: The Bureau appreciates the Committees' consideration of this issue. As noted in the Bureau's sunset report (new issue #19), the existing disclosure requirement

²³ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 90.

needs updating in order to be meaningfully monitored by the Bureau. Alternatively, given evolving federal and state policy discussions about how best to convey financial aid award information to students, the existing requirement could be repealed in favor of a different standard.

Committee Recommendation: This bill requires institutions to retain a copy of the College Financing Plan with students' other records.

- 15) *Sunset Issue #25. Enrollment Agreements.* 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 canceled 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.

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.”²⁴ 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.”²⁵

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

²⁴ 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.

²⁵ *Ibid.*

BPPE Response: The Bureau appreciates the Committee staff’s recommendation and agrees that closing gaps in required enrollment agreement information is essential to strengthening student protections. The proposed amendments to EDC sections 94902 and 94911 directly address these gaps by reinforcing document verification, clarifying delivery formats, and ensuring important dates and signatures are consistently included. These targeted updates modernize enrollment procedures and promote clearer, more transparent disclosures for students.

Committee Recommendation: This bill removes the School Performance Fact Sheet attestation from future enrollment agreements and requires that enrollment agreements be dated at the time of signing, specify how instruction will be provided, and include the date classes begin.

- 16) *Sunset Issue #30. Access to Student Records After Institution Closure.* Institutions are required to store and maintain transcripts permanently, and other pertinent student records for five years, including after a school closure.²⁶ 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.²⁷ 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.”²⁸ 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 in the Background Paper: 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.

BPPE Response: The Bureau recognizes the critical importance of ensuring student access to academic records after institutional closure. Student records, including transcripts, are essential for employment, licensure, and continued education.

²⁶ 5 Cal. Code Regs. § 71930(f)

²⁷ EDC § 94927.5(a)

²⁸ 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.

Current regulations (CCR § 71930(f)) make it clear that the responsibility and cost for maintaining and providing access to student records rest with the institution and its owners, even after closure. Despite this requirement, students often cannot obtain records due to absent or unresponsive Custodians of Records (CORs) or inadequate enforcement mechanisms. As such, the Bureau is considering options for more routinely collecting records in cases where it has historically deferred to institutions, to improve students' prospects for being able to access records when needed.

A recent Bureau review of records-access challenges identified several issues including:

- Institutions failing to maintain an active COR after closure.
- Lack of standardized processes for record transfer and long-term storage.
- Limited tools to enforce compliance after an institution ceases operations.

The Bureau has taken several steps to address concerns about students' access to records after institutional closure in recent years. Key Bureau actions include:

- Promulgating regulations to revise the required closure plan that institutions follow before closure, including providing specific information about a custodian of records, how records are maintained, and other student-level information (effective January 1, 2025).
- Coordinating with the DCA Office of Information Services to digitize transcripts when possible, resulting in the digitization of over 1 million student transcripts.
- Conducting outreach to over 900 active institutions to ensure their custodian of records information is accurate.
- Retrieving physical records for a closed institution in certain instances where records may be at a high risk of loss.
- Processing over 10,000 transcript requests annually from former students, resulting in over 6,000 transcripts provided annually.

At this point, the Bureau is considering whether taking a more active role in the collection of records from institutions, and the provision of records to students, would improve students' access to records. The Bureau's review of other states and institutions operating across multiple jurisdictions indicates that institutions often do not plan for closure, leaving gaps in recordkeeping if records-collection does not take place until the point of closure. Some states maintain records proactively or use third-party repositories, often funded through student fees. The Bureau seeks to avoid charging students and is exploring resource options, including potential use of the Student Tuition Recovery Fund (STRF), to support state-level solutions.

To address remaining gaps, the Bureau recommends statutory flexibility and funding to obtain and maintain student records when institutions are unable or unwilling to do so.

Committee Recommendation: This bill requires student records to be provided to the Bureau electronically and authorizes the Bureau to collect student records pursuant to its regulations rather than only prior to an institution’s closure.

- 17) *Sunset Issue #31. Withholding of Student Records.* 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 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.²⁹

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

BPPE Response: The Bureau appreciates Staff’s recommendation to provide suggested amendments that would ensure students have greater access to documentation of program completion. In response, the Bureau recommends the following amendments to EDC section 94897(s):

94897. An institution shall not do any of the following:

(* * * *)

(s) Violate Section 1788.93 of the Civil Code or withhold any documentation required for licensure, certification, or eligibility to sit for related examinations as a means of collecting a debt or because the student owes a debt.

Committee Recommendation: This bill prohibits institutions from withholding Proof of Training documents.

- 18) *Sunset Issue #32. Student Tuition Recovery Fund Eligibility.* 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

²⁹ 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.

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.³⁰ 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 in the Background Paper: 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.

BPPE Response: The Bureau appreciates the Committees' recommendation and concurs that ensuring students eligible for federal loan discharges based on institutional misconduct are also eligible for STRF would strengthen statutory clarity and student protections. Aligning STRF eligibility with federal determinations would allow the Bureau to rely on well-established findings, reducing duplicative review and easing administrative burden. The Bureau also supports efforts to streamline STRF administration by clarifying evidentiary standards and explicitly permitting the use of other government agencies' oversight and enforcement findings. These improvements would help the Bureau provide timely, consistent relief to students while maintaining necessary flexibility to respond to evolving forms of institutional misconduct.

Committee Recommendation: This bill streamlines and clarifies STRF eligibility determinations as requested by the Bureau.

- 19) *Sunset Issue #33. Student Tuition Recovery Fund Collection Range.* 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.”³¹ 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

³⁰ 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.

³¹ Bureau for Private Postsecondary Education, *Sunset Review Report 2026*, at 92.

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 in the Background Paper: 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.

BPPE Response: The Bureau appreciates the Committees' support on these issues. These technical changes would allow for smoother administration of the program, stabilize assessments and reduce the frequency of changes in STRF assessments that pose bureaucratic challenges to institutions and Bureau staff.

Committee Recommendation: This bill directs the Bureau to strive to maintain the STRF between \$15 million and \$25 million.

- 20) *Sunset Issue #36. Misleading Terminology and Degree Accreditation.* 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 in the Background Paper: The Committees may wish to clarify the law as proposed by the Bureau.

BPPE Response: The Bureau appreciates the Committee's agreement that the terminology in current law should be amended to more accurately describe the status of programs that lose accreditation or fail to meet provisional approval requirements. As the Bureau outlined in its sunset report, the use of the term “suspended” incorrectly suggests that reinstatement is possible, even though regulatory and accreditation structures make reinstatement unattainable. Clarifying this language, including replacing “suspended” with “terminated,” will not only better reflect regulatory realities but also strengthen consumer protection by ensuring students receive clear, accurate information about their educational options.

Committee Recommendation: This bill replaces the term “suspended” with “terminated.”

21) *Sunset Issue #38. Continued Regulation by the Bureau.* 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.”³² 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.”³³ 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.”³⁴ 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.³⁵ 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.³⁶

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 in the Background Paper: The Bureau should be continued, to be reviewed again on a future date to be determined.

BPPE Response: The Bureau would like to express gratitude to the Committees for the opportunity to continue its essential work in supporting California’s postsecondary students through regulation of private postsecondary educational institutions.

Committee Recommendation: This bill extends the Bureau’s sunset date by four years.

³² Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 35.

³³ *Ibid.*

³⁴ Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 36.

³⁵ Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 37.

³⁶ Foundation for California Community Colleges, *Bureau for Private Postsecondary Education Funding Study* (Jan. 2024), at 38.

Current Related Legislation. AB 2772 (Committee on Business and Professions) is the sunset review vehicle for the California Council for Interior Design Certification. *This bill is currently pending in this committee.*

AB 2773 (Committee on Business and Professions) is the sunset review vehicle for the California Board of Occupational Therapy. *This bill is currently pending in this committee.*

AB 2774 (Committee on Business and Professions) is the sunset review vehicle for the Physical Therapy Board of California. *This bill is currently pending in this committee.*

AB 2775 (Committee on Business and Professions) is the sunset review vehicle for the State Board of Chiropractic Examiners. *This bill is currently pending in this committee.*

SB 1302 (Wahab) is the sunset review vehicle for the California Board of Registered Nursing. *This bill is currently pending in the Senate Business, Professions and Economic Development Committee.*

SB 1303 (Wahab) is the sunset review vehicle for the California Board of Naturopathic Medicine. *This bill is currently pending in the Senate Business, Professions and Economic Development Committee.*

SB 1304 (Wahab) is the sunset review vehicle for the California Respiratory Care Board. *This bill is currently pending in the Senate Business, Professions and Economic Development Committee.*

SB 1363 (Wahab) is the sunset review vehicle for the California Board of Barbering and Cosmetology. *This bill is currently pending in the Senate Business, Professions and Economic Development Committee.*

SB 1368 (Wahab) is the sunset review vehicle for the California Speech-Language Pathology & Audiology & Hearing Aid Dispensers Board. *This bill is currently pending in the Senate Business, Professions and Economic Development Committee.*

Prior Related Legislation. SB 1433 (Roth), Chapter 544, Statutes of 2022, extended the Bureau's 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.

SB 802 (Roth), Chapter 552, Statutes of 2021, extended the Bureau's sunset date by one year to January 1, 2023, updated various definitions and exemption criteria, amended the definition of "educational program" to exclude short courses and continuing education courses of 32 hours or less not designed to lead to employment, specified that the exemption for trade or fraternal organization-sponsored programs does not apply to programs sponsored by the institutions themselves, allowed the Bureau to extend accreditation deadlines for approved institutions under certain conditions, required the chair and vice chair of the advisory committee to be elected annually, instituted term limits for advisory committee leadership, and made various other changes intended to strengthen the Bureau's role in protecting students.

SB 1474 (Senate Committee on Business, Professions and Economic Development), Chapter 312, Statutes of 2020, extended the sunset date for various regulatory entities under the DCA, including the Bureau, by one year from January 1, 2021, to January 1, 2022, in response to the COVID-19 pandemic.

AB 70 (Berman), Chapter 153, Statutes of 2020, prohibited the BPPE from approving an exemption or handling complaints for a nonprofit institution that the AG determines does not meet specified criteria of a nonprofit corporation.

AB 1344 (Bauer-Kahan), Chapter 520, Statutes of 2019, required that out-of-state institutions registering with the BPPE, either at the time of registration or within 30 days if currently registered to notify the BPPE if specific actions are taken against the institution.

AB 1346 (Medina), Chapter 521, Statutes of 2019, expands the definition of “economic loss” for the purposes of recovery through the STRF to include all amounts paid to the institution and amounts paid in connection with attending the institution, and expands eligibility for students affected by the closure of Corinthian Colleges.

SB 1192 (Hill), Chapter 593, Statutes of 2016, extended the Bureau's sunset date to January 1, 2021, required out-of-state online institutions to register with the Bureau for a two-year period upon payment of a \$1,500 application fee, 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 OSAR to provide outreach and individualized assistance to students impacted by an institution's unlawful activity or closure.

SB 1247 (Lieu), Chapter 840, Statutes of 2014, extended the Bureau's sunset date to January 1, 2017, required degree-granting institutions to be accredited, prohibited an institution participating in federal veterans' aid funding from claiming an exemption from the Act, and expanded the use of STRF payments to cover economic loss.

AB 48 (Portantino), Chapter 310, Statutes of 2009, established the current BPPE within the DCA, codified the Act, and created the regulatory framework governing private postsecondary institutions subject to the Bureau's oversight.

AB 1525 (Cook), Chapter 67, Statutes of 2007, codified a transition plan and authorized the DCA to assume the Bureau for Private Postsecondary and Vocational Education's (BPPVE) responsibilities following the sunset of the Reform Act and the BPPVE.

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 specified that institutions offering programs for \$500 or less are exempt.

SB 967 (Burton), Chapter 340, Statutes of 2003, fully exempted WASC-accredited institutions from the Reform Act, extended the prior exemption beyond only degree-granting WASC-accredited institutions, and revised requirements for approval of new degree, diploma, or certificate programs offered by approved non-WASC regionally accredited institutions.

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 819 (Calderon), Chapter 77, Statutes of 1997, extended the operation of the Reform Act and the Council to January 1, 1998.

AB 71 (Wright), Chapter 78, Statutes of 1997, transferred administration of the Reform Act from the Council to a newly created BPPVE within the DCA, extended the sunset date of the Reform Act to January 1, 2005, established a new registration category for short, low-cost 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 approved schools to provide a pro rata refund to students who withdraw, reduced application and annual fees, and exempted certain institutions from all or portions of the Reform Act.

AB 1164 (Wright), Chapter 32, Statutes of 1997, extended the Council for Private Postsecondary and Vocational Education's (Council) sunset date from June 30, 1997, to July 18, 1997, as a stopgap measure pending a broader overhaul of private postsecondary education regulation.

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.

AB 1402 (Waters), Chapter 1239, Statutes of 1989, enacted the Maxine Waters School Reform and Student Protection Act to complement the Reform Act by establishing minimum performance standards for course completion and job placement.

SB 190 (Morgan), Chapter 1307, Statutes of 1989, enacted the Private Postsecondary and Vocational Educational Reform Act of 1989, overhauled the state's regulatory framework, transferred oversight to a new 20-member Council, created a single approval process for all private institutions except those WASC-accredited, established distinct requirements for non-degree and degree-granting institutions, charged the Council with administering the STRF, and required schools to provide refunds, performance fact sheets, and annual reports.

AB 2790 (Hughes), Chapter 975, Statutes of 1978, established the STRF to provide financial relief to students who suffered economic losses while enrolled at an approved institution.

AB 911 (Arnett), Chapter 1202, Statutes of 1977, codified the Private Postsecondary Education Act, 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.

ARGUMENTS IN SUPPORT:

In support, *The Institute for College Access and Success* writes:

Today's private postsecondary education ecosystem has shifted dramatically since the Bureau was first envisioned: online education is expanding, the definitions of physical presence and oversight of out-of-state institutions are evolving, a new Pell Grant program

that uplifts short-term and certificate programs that were historically not Title IV eligible is coming online, and federal protections against aggressive recruitment and fraudulent activity are weakening. In this environment, ensuring that the Bureau is financially solvent, appropriately empowered, and statutorily equipped to act decisively is essential to protecting students and taxpayers alike.

ARGUMENTS IN OPPOSITION:

There is no opposition on file.

REGISTERED SUPPORT:

The Institute for College Access and Success
Legal Aid Foundation of Los Angeles
Northern California College Promise Coalition

REGISTERED OPPOSITION:

There is no opposition on file.

Analysis Prepared by: Kaitlin Curry / B. & P. / (916) 319-3301