SENATE COMMITTEE ON BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT

Senator Dr. Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	AB 2771	**Hearing Date:**	June 29, 2026
Author:	Committee on Business and Professions		
Version:	June 25, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Anna Billy		

Subject: California Private Postsecondary Education Act of 2009

SUMMARY: Extends the operations of the Bureau for Private Postsecondary Education (BPPE or Bureau) and California Private Postsecondary Education Act of 2009 (the Act) for four years until January 1, 2031, and makes additional technical changes, statutory improvements, and policy reforms in response to issues raised during the BPPE's sunset review oversight process.

NOTE: *This bill is double-referred to the Senate Committee on Education, second.*

Existing law:

1) Establishes the California Private Postsecondary Education Act of 2009 (the Act) until January 1, 2023, and requires the BPPE to , among other things, review, investigate and approve private postsecondary institutions, programs and courses of instruction pursuant to the Act and authorizes BPPE to take formal actions against to take formal actions against an institution/school to ensure compliance with the Act and even seek closure of an institution/school if determined necessary. The Act requires unaccredited degree granting institutions to be accredited by an accrediting agency recognized by the United States Department of Education. The Act also provides for specified disclosures and enrollment agreements for students, requirements for cancellations, withdrawals and refunds, and that the BPPE shall administer the Student Tuition Recovery Fund (STRF) to provide refunds to students affected by the possible closure of an institution/school. (Education Code § 94800 *et.seq*)

This bill:

1) Authorizes the Bureau, after receipt of a report or a complaint, to request from the institution information necessary to determine whether the institution's registration should be revoked or have conditions placed on it.

2) Clarifies and narrows exemptions for bona fide trade, business and professional, or fraternal institutions including religious organizations using religious terminology in a degree title or description solely as an exemption; schools charging less than $2,500 for educational programs that do not offer a degree and are not eligible for state or federal financial aid; flight instruction schools that are under the oversight of the Federal Aviation Administration; Stipulates that an exemption does not apply to institutions that provide any training or curriculum for Class A, B or C commercial

driving licenses, except for employer administered commercial driving license education programs for entities employing 250 or more commercial driving license drivers in the state.

3) Updates the Bureau's process for verifying an exemption for an exempt institution including, but not limited to: authorizing the Bureau to approve the request for verification, deny the request, or determine that it is unable to verify the exemption; prohibiting the Bureau from granting a verification of exemption to an institution that previously held an approval to operate and has an outstanding citation or fine, or is under discipline; prohibiting the Bureau from granting a verification of exemption to an institution that offers one or more programs designed to lead to licensure that does not hold approval from the pertinent licensing body; clarifying that a Bureau determination pertaining to a verification of exemption is not adverse administrative action and is not subject to appeal; and a verification of exemption is not required to operate as an exempt institution. Requires the Bureau to establish a reasonable fee to reimburse the Bureau's costs associated with the implementation of the exemption.

4) Requires that an institution offering a degree must hold accreditation by one or more accrediting agencies recognized by the United States Department of Education (USDE) with the accreditation covering all degree programs offered by the institution.

5) Clarifies that an institution under provisional approval to operate shall not offer more than two degrees programs and prohibits the enrollment of students on student visas to exceed 25 percent of total enrollment in any provisionally approved degree program.

6) Requires within the first four years of issuance of provisional approval for an institution to operate degree programs, the Bureau may empanel a visiting committee to review the institution's accreditation plan and any related documents or materials as determined by the visiting committee and make a recommendation to the Bureau regarding the institution's progress to achieving the full accreditation.

7) States that a provisionally approved institution that fails to comply, as specified, will have its provisional approval automatically terminated on the applicable date; will not enroll new students in any of its degree programs; and will execute a teach-out plan for any enrolled students in the degree programs.

8) Allows an institution that has its provisional approval to operate degree programs terminated, or voluntarily ceases to pursue accreditation, may continue to offer non degree programs.

9) States that an institution with a provisionally approved degree program that is terminated by the Bureau or surrendered by the institution may not apply for a provisional approval to operate degree programs until two years after the date of the prior termination or surrender.

10) Stipulates that an approval to operate shall be granted only after an applicant has presented sufficient evidence to the Bureau through site visits or other methods

deemed appropriate by the Bureau, that the applicant has satisfied the minimum operating standards. The Bureau shall deny an application for an approval to operate if the application does not satisfy those.

11) Authorizes the Bureau to deny an application for an approval to operate from an institution that would be owned by, have persons in control of, or employ institutional managers that had either of the following: knowledge of, should have known, or knowingly participated in any conduct that was the cause for revocation or unmitigated discipline at another institution; previously owned, controlled, or managed an institution that closed without complying with legal requirements to provide refunds to impacted students or appropriately preserve and make available records.

12) Stipulates that a nondegree program not within the scope of accreditation may not be included as an approved program by the Bureau without the express written consent of the institution's accrediting agency.

13) Requires an institution to demonstrate continued compliance with minimum operating standards to obtain renewal of an approval to operate.

14) Stipulates that an institution that has filed an appeal of a denial of a renewal application may continue to operate during the appeal process, but shall disclose in a written statement, approved by the Bureau, to all current and prospective students, that the institution's application for renewal of approval to operate was denied by the Bureau because the Bureau determined the application did not satisfy the requirements to operate in California, that the institution is appealing the Bureau's decision, and that the loss of the appeal may result in the institution's closure.

15) Specifies that the addition of a separate branch is considered a substantive change to an approval to operate and requires prior authorization.

16) Prohibits an institution from violating Civil Code § 1788.93 or from withholding 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.

17) Repeals the recordkeeping requirements of an accredited institution if the recordkeeping requirements of the accrediting organization are substantially similar.

18) Requires an enrollment agreement to be signed and dated by the student and by an authorized employee of the institution.

19) States that an enrollment agreement is not enforceable unless a student has received the institution's current catalog and School Performance Fact Sheet before signing the enrollment agreement; the institution holds a valid approval to operate; before the execution of the enrollment agreement, the student and the institution have signed and dated the information required to be disclosed in the School Performance Fact Sheet and each of the items in the School Performance Fact Sheet must include a line for the student to initial an date; requires the student to

receive a copy of the signed enrollment agreement, in writing or electronically, regardless of whether total charges are paid by the student.

20) Requires the institution to provide, if applicable, a general student brochure, handbook, or other student-facing materials that provide additional clarity about the information or policies required to be included in the catalog, the institution must provide those materials to the prospective student before enrollment. Requires the institution, if applicable, to provide program-specific materials for the program in which the prospective student seeks to enroll prior to enrollment.

21) Removes an enrollment agreement attestation and requires that an enrollment agreement include the following, amongst other provisions: the name of the institution and the name of the educational program, including the total number of credit hours, clock hours, or other increment required to complete the educational program, a description of the method of delivery that will be used for instruction in the educational program; the date of the first-class session; and the student's signature and date on various statements, as specified.

22) Requires institutions that participate in federal student financial aid programs to provide students with the College Financing Plan developed by the USDE, or any successor document, to inform students or potential students about financial aid award packages before enrollment and retain a copy of the document with other required student records.

23) Requires an institution that maintains an internet website must provide on that internet website the current version of student brochures, 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 catalog.

24) Modifies a required notice to students from institutions directly or indirectly receiving proceeds from a credit contract and established 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.

25) Modifies the Student Tuition Recovery Fund (STRF) to include the following:

   a) Stipulates that the STRF relieves or mitigates economic loss suffered by a student in connection with enrollment in an institution.

   b) States that the Bureau may rely on findings by an oversight entity, as specified, in determining if there was a significant decline in the educational program offered within 120 days before the closure of the institution.

   c) States that a student to whom an institution has been ordered to pay a refund by the Bureau but has failed to do so, or a student to whom a government body, at any point, designates the student 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 payment from the STRF.

d) States that a student who has been awarded restitution, a refund, or other relief, including, but not limited to, an enforcement action, settlement agreement, debt relief determination, or monetary award by 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 payment from the STRF. Requires the Bureau review the award or judgement and ensure the amount to be paid from the fund does not exceed the student's economic loss.

e) Requires a student seeking reimbursement from the STRF to file a written application that must be received by the Bureau no later than four years after the date of the action that made the student eligible for recovery from the STRF.

f) Stipulates 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 no 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. The Bureau must take into account the availability of records and may accept an attestation or other substantiation as deemed appropriate.

26) Repeals the requirement that the STFR amount not exceed $25,000,000 at any time and that the Bureau may resume collecting STFR assessments when the fund falls below $20,000,000 and instead requires the Bureau, in determining the amount of STFR assessments to collect from each student, to strive to maintain a fund balance in the STRF between $15,000,000 and $25,000,000.

27) Requires an institution, including institutions that are otherwise exempt and pursuant to regulations adopted by the Bureau, to provide the Bureau with the following: copies of pertinent student records, including transcripts, in electronic from; if the institution is accredited, a plan for the retention of records and transcripts, approved by the institution's accrediting agency, that provides information as to how a student may obtain a transcript or any other information about the student's coursework and degrees completed.

28) Requires an institution with an approval to operate that is the subject of a judgement by, a regulatory action by, increased oversight or monitoring by, or a settlement with, any oversight entity other than the Bureau shall report it to the Bureau within 30 days.

29) Requires an institution with an approval to operate shall notify the Bureau in writing within 30 days of filing for bankruptcy or becoming the subject of an involuntary bankruptcy petition. The written notice must include all of the following:

a) The type of bankruptcy.

b) The court in which the petition was filed.

c) The case number.

d) The name and contact information of the bankruptcy trustee, is assigned.

e) A summary of the institution's plan for continuing operation, student record retention, and student communication during the proceeds.

30) Requires an institution to report to the Bureau within 30 days of the filing of an indictment or information charging a felony against the institution or an owner, person in control, or institutional manager, or within 30 days of the date the institution becomes aware of the filing, whichever is later. The report must include the name of the individual, the arresting agency, charging documents, relevant orders, the date of the action, and a summary of the facts and circumstances underlying the allegation.

31) Requires an institution to report to the Bureau within 30 days of service of any civil action or arbitration brought by a current or former student, employee, or public official that alleges the institution's failure to provide educational services, a violation of Title IX of the federal Education Amendments of 1972 or a similar state law, a violation of this chapter, or a violation of any law concerning consumer protection, unfair business practices, or fraud.

32) Requires and institution to provide to the Bureau, within 30 days of the institution's first knowledge that the civil matter has been adjudicated or settled, a copy of the complaint filed by the plaintiff and a copy of the judgement, settlement agreement, or other document resolving the action or arbitration in which the institution is adjudicated liable for damages, restitution, or civil penalties in excess of $10,000 or settles a claim for damages, restitution, or civil penalties in excess of $10,000.

33) Requires the institution to provide the Bureau with a copy of the judgement, settlement agreement, or other document resolving the action or arbitration within 30 days after it is signed by the institution.

34) Defines investigation to mean an inquiry into possible violations of any applicable laws or accreditation standards; defines oversight entity to mean all of the following: a governmental agency; an accrediting agency; a professional licensing entity that exercises any programmatic or institutional approval over the institution; a certification authority created under state or federal law; failure to comply with this section is considered a material violation, and an institution may be subject to citation, probation, suspension, or revocation of its approval to operate.

35) Repeals a requirement that the Bureau post an annual report on its internet website, the number of 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, not to exceed $100,000, for operating an institution or offering or providing to the public educational programs without proper approval to operate issued by the Bureau. Clarifies that the maximum fine for unlicensed activity is separate and not inclusive of fines for other violations or refunds ordered.

37) Requires an institution to authorize its accrediting agency, or any accrediting agency from which it is pursuing accreditation, to provide the Bureau, the Attorney General, 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 to provide, within 30 days of receiving a written notice from the Bureau, the Attorney General, district attorney, city attorney, or the Student Aid Commission, the requesting entity with all documents or other material concerning an institution accredited by or in pursuit of accreditation by that agency hat are designated specifically or by category in the written notice.

39) Requires the Director of the DCA to provide written updates to the Legislature annually instead of biannually, in addition to any other reporting requirements, and participate in all oversight hearings conducted by the appropriate committees and budget subcommittees of the Senate and Assembly.

40) Extends the sunset date of the Bureau until January 1, 2031.

41) Makes various technical, clarifying and conforming changes to the Act.

FISCAL EFFECT: According to the Assembly Committee on Appropriations, this bill creates minor and absorbable costs to the BPPE and makes no modifications to application fees, annual fees, or other revenue generating mechanisms for private postsecondary institutions, therefore, the bill creates no expected revenue loss or gain for the BPPE. According to BPPE, increases in operating costs resulting from the implementation of new legislative mandates may place additional pressure on existing fee structures that may necessitate legislation to raise licensees' fees. Creates minor and absorbable General Fund costs to the Office of Information Services for IT requirements associated with this bill.

COMMENTS:

1. **Purpose.** This bill is the sunset review vehicle for the Bureau for Private Postsecondary Education, authored by the Assembly Committee on Business and Professions. The bill extends the Bureau's sunset date and enacts technical changes, statutory improvements, and policy reforms in response to issues raised during the Bureau's sunset review oversight process.

2. **Oversight Hearings and Sunset Review of Licensing Boards and Programs.** In March 2026, the Senate Business, Professions and Economic Development Committee and the Assembly Committee on Business and Professions (Committees) began their comprehensive sunset review oversight of 10 regulatory entities including the Bureau. The Committees conducted three oversight hearings. This bill and the accompanying sunset bills are intended to implement legislative changes as recommended by the staff of the Committees, and which are reflected in the Background Papers prepared by the Committee staff for each agency and program reviewed this year.

3. **Background on BPPE.** The Bureau for Private Postsecondary Education (BPPE) and the California Private Postsecondary Act (Act) was established with AB 48 (Portantino, Chapter 310, Statues of 2009) after several failed attempts to remedy the structural challenges of the former Bureau for Private Postsecondary and Vocational Education. AB 48 took effect January 1, 2010, and provided the BPPE responsibility for oversight of private postsecondary educational institutions operating with a physical presence in California. While the Legislature has amended the Act several times since the initial passage of AB 48, it has consistently directed BPPE to make protection of the public the highest priority in performing duties and exercising powers. Today, the Act expresses Legislative intent that BPPE:

   1) Ensure minimum educational quality standards and opportunities for success for California students attending private postsecondary schools in California;
   2) Provide meaningful student protections through essential avenues of recourse for students;
   3) Establish a regulatory structure that provides an appropriate level of oversight;
   4) Provide a regulatory structure that ensures all stakeholders have a voice and are heard in policymaking by the Bureau;
   5) Ensure accountability and oversight by the Legislature through program monitoring and periodic reports;
   6) Prevent harm to students and the deception of the public that results from fraudulent or substandard educational programs and degrees.

   BPPE also actively investigates and combats unlicensed activity, administers the Student Tuition Recovery Fund (STRF), and conducts outreach and education activities for students and private postsecondary educational institutions within the state. Within BPPE exists the Office of Student Assistance and Relief (OSAR), established by SB 1192 (Hill, Chapter 593, Statues of 2016) which exists to advance the rights of students at private postsecondary educational institutions and assist students who have suffered economic loss due to unlawful activities or the closure of an institution.

4. **Sunset Review Oversight of BPPE.** The following are select issues pertaining to the BPPE along with background information concerning the particular issue.

   a) Reporting Requirements

   <u>Background:</u> 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 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.” The Bureau recommends removing this reporting requirement and reports that enforcement data would remain available in the DCA’s annual report, on its website, and at advisory committee meetings.

Additionally, EDC § 94998 requires the Director of 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 reporting frequency be reduced from every six months to every 12 months.

This bill repeals the six-month reporting requirement and instead requires reporting annually.

b) Accrediting Agency Documentation.

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

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

c) Visit Committee Reviews of Degree-Granting Institutions Not Yet Accredited.

Background: Degree-granting institutions must be accredited or in the process of becoming accredited by an accrediting agency recognized by the USED. 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 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.

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

d) Scope of Institutional Accreditation.

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

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

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.

e) Unaccredited Degree-Granting Institutions.

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

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.

f) Exemption Categories.

<u>Background:</u> According to the Bureau, the following exemptions could be tightened to improve its oversight and consumer protection:

- 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." 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.

- 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." The Bureau recommends clarifying in statute that the use of religious terminology in a degree title is insufficient for an exemption.

- EDC § 94874(f) exempts institutions whose educational programs cost less than $2,500 and are ineligible for state or federal student aid. Still, according to the Bureau, "certain words within this exemption challenge the Bureau's ability to enforce it meaningfully." 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)." 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.

- 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. 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.

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

AB 714 (Fong) addresses a loophole in the regulation of certain private postsecondary programs related to commercial driving. Current law provides a number of exemptions from regulation under the California Private Postsecondary Act for institutions that do not award degrees and that solely provide educational programs for total charges of $2,500 or less does not apply to institutions that provide training or curriculum for Class A, B, or C commercial driving licenses.

Under federal regulations, the US Department of Transportation's Federal Motor Carrier Safey Administration's Entry Level Driver Training, training programs must meet standards regarding curricula, facilities, vehicles, assessments, documentation and more. Under today's market conditions, it is difficult to meet these requirements while offering a training program for less than $2,500. Allowing commercial driving programs to seek exemptions or operate under this provision results in low quality training and contributes to large trucks fatalities in California. According to the Author, in 2022 we experienced 436 traffic fatalities involving large trucks – the second highest in the nation and averaging more than one a day.

This bill removes commercial driving programs that provide training or curriculum for Class A, B, or C commercial driving licenses from being exempted from basic regulations, except for any employer administered commercial drivers license training program if the employer has more than 250 truck drivers.

g) Exemption Verification.

Background: As reported by *USA Today* and *Inside Higher Ed,* there has been a surge in fraudulent college and university websites that attempt to defraud prospective students by asking them to apply, pay fees, and provide personal identifying information. Bolstered by generative artificial intelligence, these counterfeit websites advertise fake schools or schools that have closed. According to the Bureau, some operators of these websites have been abusing the Bureau's exemption verification. EDC § 94874.7 requires the Bureau to establish a process for verifying an institution's exempt status. Verification is voluntary and requires submitting an application and paying a $250 application fee. According to the Bureau, operators of "zombie universities" have applied for verification of their exempt status and used Bureau documents to indicate to consumers that their programs are of good quality and/or low risk. According to the Bureau, these entities' websites consist "nearly exclusively of stock photos and generic statements," and are missing key information such as a course schedule or catalog, admissions deadlines or policies, or program offerings. 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."

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.

h) Definition of "Substantive Change."

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

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

i) Out of State Registered Institutions.

Background: Out-of-state private for-profit institutions enrolling California students in online education programs must register with the Bureau. 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. 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." 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.

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.

j) Institution Application Information Verification and Minimum Operating Standards.

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

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

k) Recordkeeping Exemption for Accredited Institutions.

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

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

l) Student Handbooks and Other Student Facing Materials.

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

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

m) Institutional Financial Aid Disclosure.

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

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

n) Enrollment Agreements.

Background: EDC §§ 94902 and 94911 require schools to provide students with written enrollment agreements that outline program details, performance information, and school policies. The Bureau reports that these 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." 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."

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.

o) Access to Student Records After Institution Closure.

Background: Institutions are required to store and maintain transcripts permanently, and other pertinent student records for five years, including after a school closure. 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. 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." 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.

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.

p) Withholding of Student Records.

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

This bill prohibits institutions from withholding Proof of Training documents.

q) Student Tuition Recovery Fund Eligibility.

Background: EDC § 94923 details students' eligibility for STRF, but the Bureau believes clarification would improve its ability to administer STRF. First, the Bureau suggests EDC § 94923(a) should be amended to clarify that a student's economic loss must be connected to enrollment but does not have to materialize *during* enrollment. According to the Bureau, economic harm may not appear until after a student's enrollment ends. Second, the Bureau wishes to use federal relief program eligibility as the basis for determining whether a student was harmed by a school closure or other unlawful activity, thereby streamlining the Bureau's determination process. Third, the Bureau wishes to further streamline STRF eligibility determinations by considering enforcement actions by other governmental entities, such as the AG, the Federal Trade Commission, and the Consumer Financial Protection Bureau, as well as private litigation. The Legal Aid Foundation of Los Angeles suggests expanding the Bureau's proposal to ensure that all types of federal student loan discharges based on institutional misconduct are included as bases for STRF eligibility because students may still be liable for private student loans. Additionally, the Legal Aid Foundation of Los Angeles recommends clarifying that students who were promised loan discharge by the USED, but were unable to obtain those loan discharges, and also eligible for STRF relief. 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.

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

r) Student Tuition Recovery Fund Collection Range.

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

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

s) Misleading Terminology and Degree Accreditation.

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

This bill replaces the term "suspended" with "terminated."

t) Continued Regulation by the Bureau.

Background: In 2024, in response to the Bureau's funding challenges, the FoundationCCC was charged with conducting a funding study. The FoundationCCC determined, "there are larger questions about BPPE's structure and placement within government that are worth exploring if California want to maximize its oversight of private postsecondary education." 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." 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." 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. 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.

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.

This bill extends the Bureau's sunset date by four years.

5. **Arguments in Support.** The Legal Aid Foundation of Los Angeles (LAFLA) writes in support of renewing the California Private Postsecondary Education Act (Act) of 2009 and the Bureau for Private Postsecondary Education. LAFLA seeks to achieve equal justice for low-income people through direct representation, systematic change, and community education. LAFLA is a public interest leader on student loan work in California, having developed student loan and for-profit school expertise over the last 30 years and has proposed some modifications to the Act to enhance consumer protection for the low-income students they represent.

The Northern California College Promise Coalition notes, “The Bureau serves an essential function for the state of California as the first line of defense for students who enroll in private postsecondary programs and the primary state-level regulator of for-profit schools in California. As federal deregulation continues to reduce oversight and accountability over for-profit schools, support for the Bureau is critical as it maintains necessary enforcement activities to protect California students.”

The Institute for College Access & Success (TICAS) writes in support, “ 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 weaking. 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.”

6. **Comments.** The California Association of Private Postsecondary Schools (CAPPS) “supports the extension of the BPPE and strongly believes in the importance of student protections, effective enforcement, and a modern, efficient regulatory framework. The sunset review process provides an important opportunity to build on what is working while refining areas that could benefit from greater clarity, transparency, and alignment with current best practices.” CAPPS notes that it “appreciates AB 2771 does not include the significant fee increases asked for in the BPPE Sunset Report, although we presume a revenue discussion is still on the table. We question if the dozens of changes contained in AB 2771 will result in additional pressure for the BPPE to seek larger fee increases and/or state support, and if any analysis was done to calculate the financial impact. We urge the legislature to pursue changes that will streamline the Bureau versus adding more workload pressures.” CAPPS also states that it has “consistently sought information on the number of BPPE regulated ownership entities, in addition to campuses and branches, to better understand the Bureau’s regulatory scope and responsibilities.” According to CAPPS, STRF funds have historically been used solely to support students, not to pay for BPPE operations and staff. CAPPS does not agree with allowing student fees to pay for “the BPPE’s increasing budget woes” and states “it is odd and troublesome that the law would give the BPPE the ability to fluctuate the STRF account between $15 and $25 million dollars. Again, these are student dollars that should be accounted for in a data driven manner that would give students more predictability and transparency.”

   CAPPS also believes the law should implement a risk based regulatory approach to prioritize oversight resources based on institutional risk, including appropriate differentiation between accredited and nonaccredited institutions and that it should maintain transparency in enforcement actions by retaining requirements for public reporting of restraining orders, interim suspension orders, and disciplinary actions.

   Ember Education also comments on BPPE operations and the Act. Ember notes that “the proposed fee structure disproportionately burdens large multi-campus institutions— particularly those operating accredited, high-value allied-health programs with high tuition but low operating margins.

The recommended fee changes rely heavily on raising annual-revenue-based fees and increasing per-campus caps from $60,000 to $80,000. These changes do not correspond to the true drivers of BPPE workload and would result in a 35% fee increase for SJVC and Carrington. To improve alignment between BPPE revenue and actual costs, we recommend: increase transactional licensing and approval fees..increase the minimum campus location fee to $10,000…increase administrative citation fines…maintain current caps for annual revenue fees
The existing campus and institutional caps ($60,000 and $750,000, respectively) reflect the limited correlation between campus revenue and BPPE oversight work. We oppose the proposed increase in the campus cap to $80,000. Adopting these more targeted changes would still increase our annual fees by approximately 20%, but would do so in a manner that is more equitable and operationally grounded."

Ember also provided comments on other proposals from the Bureau to the Legislature.

<u>Northeastern University</u> requests amendments the Act to exempt "low-risk, highly qualified private nonprofit institutions. The institution states such an amendment addresses a regulatory disparity that has placed an unjustified burden on students enrolled at institutions for which the BPPE's core consumer protection rationale simply does not apply." To qualify for the exemption, an institution must satisfy all six of the following stringent and cumulative criteria:

- Federal-tax exempt status with no insider transactions in the past five years:
- Continuous operation as a nonprofit institution for at least 20 years, awarding a minimum of 500 degrees annually throughout that period;
- A continuous physical presence and degree program offerings in California for at least 10 years;
- Accreditation for at least 10 years by a U.S. Department of Education-recognized agency that predominantly accredits nonprofit or public institutions and whose governing board is free of equity interests in higher education;
- Doctoral-granting status with the highest Carnegie Classification of research activity; and
- An endowment of not less than $1,000,000,000 as demonstrated by audited financial statements.

According to Northeastern, "These criteria are designed to confine the exemption to institutions where the risk of sudden closure is effectively nonexistent. Importantly, the amendment does not eliminate legal accountability. Qualifying institutions would remain fully subject to all applicable state and federal law, including laws relating to fraud, abuse, and false advertising. The amendment would also allow the Bureau to refocus its limited oversight resources on the high-risk institutions where that oversight provides the greatest student protection benefit**.** This approach aligns with the BPPE's own 2026 sunset report, which recognized that a carefully crafted exemption for low-risk institutions would better align the Bureau's resources and attention."

7. **Outstanding Policy Issues to Address.** While AB 2771 is comprehensive and reflects continued efforts to protect students and promote educational quality, the bill does not address a number of issues that were raised during the sunset review oversight discussions and merit consideration. Specifically, the Author should continue working with the Bureau and schools to determine the appropriate amount of revenue to continue Bureau operations and the unique nature of BPPE operating from special fund revenue paid by regulated institutions. The Author should continue working with the Bureau and stakeholders to make necessary updates to the Act.

SUPPORT AND OPPOSITION:

Support:
Legal Aid Foundation
Northern California College Promise Coalition
The Institute for College Access & Success

Opposition:
Northeastern University

-- END --