SENATE COMMITTEE ON EDUCATION
Senator Sasha Renée Pérez, Chair
2025 - 2026 Regular

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Author:	Committee on Business and Professions		
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Urgency:	No	**Fiscal:**	Yes
Consultant:	Olgalilia Ramirez		

Subject: California Private Postsecondary Education Act of 2009.

SUMMARY

This bill extends the sunset date for the Bureau for Private Postsecondary Education (Bureau) 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 process.

BACKGROUND

Existing law:

1) Establishes the California Private Postsecondary Education Act of 2009 (Act) until January 1, 2027, and requires the Bureau to, among other things, review, investigate and approve private postsecondary institutions, programs and courses of instruction pursuant to the Act, and authorizes the Bureau 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 (USDE). The Act also provides for specified disclosures and enrollment agreements for students, requirements for cancellations, withdrawals, and refunds, and that the Bureau 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.)

ANALYSIS

This bill:

1) Authorizes the Bureau, upon receipt of any of the notifications required when an out-of-state private postsecondary educational institution enrolls a California student or in response to a complaint submitted to the Bureau about the institution, to request from the institution and the institution is required to provide, information necessary to determine whether the institution's registration should be revoked or have conditions placed upon it.

2) Clarifies that the religious school exemption does not include secular programming or career prep programs that have religious perspectives or verbiage to references in the titles or description of those programs.

3) Modifies the process for which an institution that is exempt from the Act may request exemption verification from the bureau by further authorizing the Bureau to approve the request, or determine that it is unable to verify the exemption and prohibits the Bureau from granting a verification of exemption to:

    a) An institution that previously held an approval to operate and has an outstanding citation or fine, or is under discipline.

    b) An institution that offers one or more programs designed to lead to licensure that does not hold approval from the pertinent licensing body or bodies.

4) Specifies that the Bureau's determination pertaining to a verification of exemption is not an adverse administrative action and is not subject to appeal, and that the verification of exemption is not required to operate as an exempt institution.

5) Modifies minimum operating standards for an institution by requiring an institution offering a degree to be accredited by one or more accreditation agencies, with the scope of that accreditation covering the offering of all degree programs instead of at least one of its programs.

6) Clarifies that the existing exemption for nondegree programs that charge less than $2,500 does not apply to institutions that provide any training or curriculum for Class A, B, or C commercial driving license, except for employer-administered commercial driving license education programs for entities employing 250 or more commercial driving license drivers in the state.

7) Limits the flight instruction exemptions to only those that provide instruction consistent with federal regulations.

8) Adds, 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, to the reasons for which an institution may be denied an application for an approval to operate.

9) Conditions for provisional approval to operate status for an unaccredited institution seeking to offer degree programs on the following:

    a) Not offering more than two degree programs during the term of its provisional approval to operate degree programs.

    b) Limit enrollment of students on student visas to no more than 25 percent of total enrollment in any provisionally approved degree program.

10) Authorizes the Bureau, within the first four years, instead of two years, of issuance of the provisional approval to operate degree programs, to empanel a

visiting committee to review the institution's accreditation plan and also any related documents or materials as determined by the visiting committee.

11) Allows the Bureau to terminate, instead of suspending, an institution's provisional approval status that fails to comply with approval to operate requirements, as specified, and imposes a 2-year moratorium from reapplying for provisional approval status after termination.

12) Authorizes the Bureau to terminate, instead of suspending, an institution's provisional approval to operate degree programs that were issued due to the losing accreditation when failing to comply with provisional approval requirements.

13) Clarifies that an approval to operate only be granted after the Bureau has determined that the applicant has satisfied the minimum operating standards.

14) Prohibits, for institutions that have been granted approval to operate by means of accreditation, a nondegree program offered by that institution not within the scope of accreditation from being included as an approved program without the express written consent of the institution's accrediting agency.

15) Adds the "addition of a separate branch," regardless of distance, and "withholding of any documentation for licensure, certification, or eligibility to sit for related examinations as a means of collecting a debt or because the student owes a debt," to the list of changes considered substantive changes to an approval to operate.

16) Prohibits an institution from withholding proof of training documentation because the student owes a debt or as a tool for debt collection.

17) Adds to the list of materials an institution is required to provide a prospective student prior to enrollment, a handbook, or other student facing materials (if they have it), that provide additional clarity about the information or policies required to be included in their catalog. The bill also adds to this disclosure list a statement regarding a student's obligation to repay a loan and the manner in which that amount may be adjusted, as specified.

18) Adds "a description of the method of delivery that will be used for instruction in the educational program" and a statement regarding a student's obligation to repay loan and manner to which that amount maybe adjusted, to information that must be disclosed to students in the enrollment agreement.

19) Modifies other institutional disclosure of information requirements, related to the institution's current catalog, college financing plan, and credit contract arrangements, as specified.

20) Makes the institution's recipient of proceeds from a credit contract that does not contain the required disclosure a violation of the Act.

21) Makes debt voidable if, at the time of evidence of indebtedness, that institution did not hold an approval to operate or valid out of state registration with the Bureau or if the educational program is discontinued, canceled, or if the institution closes before completion of the educational programs.

22) Requires institutions to notify the Bureau of investigations by other oversight entities, increased regulatory oversight or monitoring, bankruptcy filings, felony criminal charges involving the institution or its leadership, and certain civil actions and arbitrations alleging violations of education, consumer protection, or fraud laws. The bill further requires institutions to provide documentation related to qualifying judgments and settlements, narrows the definitions of "investigation" and "oversight entity", and removes the existing citation provision in favor of specifying that noncompliance constitutes a material violation, and authorizes the Bureau to impose enforcement actions, including citation, probation, suspension, or revocation of the institution's approval to operate.

23) Makes various modifications to the STRF, including:

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

    b) Establishing that the Bureau may rely on findings by an oversight entity, as specified, when determining if there is a significant decline in the quality or value of education of a program more than 120 days before closure that a student is eligible for a refund under STRF.

    c) Establishing that a student is eligible for a refund under STRF can be a student 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.

    d) Establishing that a student is eligible for a refund under STRF 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.

    e) Specifying 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. The Bureau will take into account the availability of records and may accept an attestation or other substantiation as deemed appropriate.

24) Specifies that, in determining the amount of STRF assessments to collect from each student as specified, the Bureau will strive to maintain a fund balance in the STRF between $15 million and $25 million.

25) Requires institutions, pursuant to regulations adopted by the Bureau, to provide certain information, such as student records and transcripts, or a plan for those records, as specified.

26) Removes an annual reporting requirement disaggregating temporary restraining orders, interim suspension orders, and disciplinary actions taken by the Bureau.

27) Specifies that the Bureau is to additionally cite any person offering or providing public educational programs without proper approval to operate issued by the Bureau, as specified.

28) Specifies that each institution will be deemed to have authorized, in addition to its accrediting agency, 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.

29) Establishes that an accrediting agency must provide the Bureau, the Attorney General, a district attorney, a city attorney, or the California Student Aid Commission with information within 30 days, as specified, for institutions accredited by *or in pursuit of accreditation* by that accrediting agency.

30) Requires the Bureau to provide written reports, as specified, to the Legislature annually, instead of every six months, and participate in all oversight hearings conducted by the appropriate policy committees and budget subcommittees of the Senate and Assembly.

31) Extends the Bureau's sunset until January 1, 2031.

32) Specifies that no reimbursement is required, as specified, because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, as specified.

STAFF COMMENTS

1) **Need for the bill**. According to the author, "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) **California Private Postsecondary Education Act**. The state's program for regulation of private postsecondary and vocational education institutions has

historically been plagued with problems. During the late 1980's, California developed a reputation as the "diploma mill capital of the world."

After numerous legislative attempts to remedy the laws and structure governing regulation of private postsecondary institutions, AB 48 (Portantino, Chapter 310, Statutes of 2009) was enacted to establish the 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.

The Act requires all unaccredited colleges in California to be approved by the Bureau, and all nationally accredited colleges to comply with numerous student protections. It also establishes prohibitions on false advertising and inappropriate recruiting. The Act requires disclosure of critical information to students such as program outlines, graduation and job placement rates, and license examination information, and ensures colleges justify those figures. The Act also guarantees students can complete their educational objectives if their institution closes its doors while providing the Bureau with enforcement powers necessary to protect consumers.

In 2014, SB 1247 (Lieu, Chapter 840, Statutes of 2014) amended the Act to require degree-granting institutions to be accredited, prohibit an institution that participates in federal veterans' aid funding from claiming an exemption from the Act, and expanded the use of STRF payments to cover economic loss.

The Act was subsequently amended in 2015, SB 1192 (Hill, Chapter 593, Statutes of 2015), to extend the Bureau sunset date until 2021. SB 1192, among other things, required an out-of-state online institution to register with and pay a fee to the Bureau, extended the sunset date for a degree-granting institution to obtain accreditation, increased certain institutional fees, and established the Office of Student Assistance and Relief to provide outreach and individualized assistance to students impacted by unlawful activities or closure of a Bureau-approved institution.

SB 802 (Roth, Chapter 552, Statutes of 2021) made various changes to the Act, including an extension until January 1, 2023. SB 802 also updated various definitions and exemption criteria, allowed the Bureau to extend deadlines by which approved institutions must be accredited according to certain conditions, and made various other changes intended to strengthen the Bureau's role in protecting students.

Most recently, SB 1433 (Roth, Chapter 544, Statutes of 2022), extended the sunset date to January 1, 2027, defined "physical presence," exempted certain programs, created a pathway for accredited institutions whose accreditors lose federal recognition to continue operating; authorized the Bureau to deny applications for known violators of the law, allowed for regulation of out-of-state public institutions, and added five new prohibited business practices.

3) **Sunset review recommendations.** On March 17, 2026, the Assembly Committee on Higher Education, the Assembly Committee on Business and

Professions, the Senate Committee on Education, and the Senate Committee on Business, Professions, and Economic Development jointly held a Bureau for Private Postsecondary Education Sunset Review Hearing. Discussed in this hearing were recommendations made by the Bureau in their 2026 Sunset Review Report, which identified 28 new issues (in addition to 15 issues identified in their 2021 Sunset Report). The Committees produced a background paper, which included staff recommendations for the Committees on 38 separate issues, including many that were identified in the Bureau for Private Postsecondary Education Sunset Review Report. This bill incorporates 23 of the Bureau's 28 recommendations.

4) **Standards for application review.** Existing law requires the Bureau to independently verify all information submitted by applicants seeking an approval to operate. According to the Bureau, this requirement is impractical given the volume and complexity of information submitted and diverts resources from higher-risk oversight activities. Existing law also requires applicants to demonstrate the "capacity" to meet minimum operating standards rather than actually meeting those standards. The Bureau recommended eliminating the independent verification requirement and requiring applicants to satisfy the minimum operating standards before an approval to operate is granted. This bill responds to the identified issues by removing the independent verification requirement and clarifying that the Bureau may grant an approval to operate only after determining that the applicant has satisfied the minimum operating standards.

5) **Issues relate to accreditation.** Accreditation serves as a baseline measure of institutional quality. Institutions approved by means of accreditation are generally not subject to the same review process as other institutions because the Bureau relies on institutional accreditation as evidence of educational quality. During the sunset review, the Bureau noted that some institutions have offered nondegree programs that fall outside the scope of their accreditor's review, leaving those programs without meaningful oversight. The Bureau recommended limiting approval by means of accreditation to programs within the accreditor's approved scope and requiring accreditation to cover all degree programs offered by an institution. This measure attempts to address this issue by requiring institutions offering degree programs to maintain accreditation covering all degree programs and prohibiting nondegree programs outside the scope of accreditation from being deemed approved unless the institution's accrediting agency provides express written consent.

Additionally, the Bureau recommended expanding its access to accrediting agency records to support its oversight. Existing law deems the institution to have authorized its accrediting agency to provide records to the Bureau upon request. This bill expands that authorization to include any accrediting agency from which the institution is pursuing accreditation and requires those accrediting agencies to provide requested records to the Bureau and specified enforcement agencies within 30 days of written notice.

6) **Oversight of unaccredited degree-granting institutions.** Existing law provides a pathway for unaccredited institutions to operate degree programs

while pursuing accreditation through provisional status. During the sunset review, the Bureau identified several concerns with the provisional approval process, including institutions repeatedly restarting the accreditation timeline, enrolling large numbers of international students who may be particularly vulnerable as their visa status depends on continued enrollment, and statutory provisions that imply provisional approval may be reinstated after termination. This bill addresses these concerns by limiting provisionally approved institutions to no more than two degree programs, capping enrollment of students on visas at 25 percent of each provisionally approved degree program, extending the timeline for visiting committee reviews from two to four years, imposing a two-year waiting period before an institution may reapply for provisional approval following termination or surrender. This measure also replaces statutory references to “suspension” with “termination” for provisionally approved degree programs that fail to achieve accreditation, reflecting that those programs are no longer eligible to operate.

7) **Exemptions from the Act.** During the sunset review, the Bureau reported that various exemptions have been interpreted more broadly than intended, allowing some entities to qualify for exemptions that may extend beyond the Legislature’s original intent while offering programs that closely resemble regulated educational programs. The Bureau also reported receiving requests for verification of exemption from entities that use those determinations to imply state approval. This bill narrows several exemptions by clarifying the scope of religious exemptions, limiting flight instruction exemptions to programs operating under specified federal requirements, restricting certain commercial driver’s license training exemptions, improving verification of exemption process, and establishing additional conditions under which the Bureau may deny or decline to issue a verification of exemption.

8) **Student consumer protections.** Multiple recommendations in the sunset review focused on areas where existing law could better protect students from financial and educational harm. Many of the proposed changes focused on ensuring students receive complete and accurate information before enrolling, are not prevented from obtaining records needed for employment or licensure, and have access to appropriate remedies when institutions engage in unlawful conduct or cease operations. This bill aims to address those issues by updating many of the Act’s consumer protection provisions to improve disclosures, preserve student access to educational records, and improve available student remedies. Specifically, it makes changes requiring institutions to provide additional student-facing materials before enrollment, updating enrollment agreement and financial disclosure requirements, prohibiting institutions from withholding documentation needed for professional licensure because of an outstanding debt, clarifying student record preservation requirements, expanding eligibility for STRF claims, and updating consumer credit contract requirements to better align with federal law.

9) **Student Tuition Recovery Fund (STRF).** STRF provides financial relief to eligible students who suffer economic losses due to school closures or institutional misconduct. Under current law, when the STRF balance exceeds $25 million, the Bureau is required to temporarily stop collecting from institutions,

and when the STRF balance drops below $20 million, the Bureau is to resume collecting. In 2015, the STRF fee was fifty cents per every one thousand dollars in institutional charges assessed on a student, the funds exceeded the $25 million threshold, and the Bureau stopped collecting and amended the regulations to a collection rate of zero. In February 2021, the STRF dropped below the $20 million threshold, and the Bureau resumed collection of the fifty cents per thousand dollars in March 2021. The Bureau has since paused assessments after the fund again reached the statutory collection threshold. During sunset review, the Bureau explained that the current $20 million to $25 million collection range creates administrative challenges because assessments cannot be stopped immediately, and the statutory cap does not account for pending claims. The Bureau also identified a number of issues that may delay relief for eligible students. In the oversight hearing background paper, committee staff recommended clarifying that economic losses need only be connected to a student's enrollment, expanding eligibility to recognize certain federal student loan discharges and other governmental enforcement actions as evidence of institutional misconduct, and allowing the Bureau to rely on attestations and other available evidence when institutional records are unavailable. Staff also recommended providing greater flexibility in managing the STRF balance by allowing the Bureau to maintain the fund between $15 million and $25 million, rather than requiring assessments to stop and restart at fixed thresholds, and clarifying that otherwise eligible students remain eligible for STRF even when assessments are temporarily paused.

This bill implements these proposed changes by clarifying STRF eligibility standards, expanding the types of evidence the Bureau may consider when determining eligibility and economic loss, authorizing reliance on findings by other government entities and private adjudications, permitting attestations when records are unavailable, and directing the Bureau to strive to maintain the STRF balance between $15 million and $25 million. This bill also clarifies that students are not disqualified from receiving STRF relief solely because they enrolled during a period when STRF assessments were suspended. These changes are intended to make STRF administration more predictable while ensuring students are not burdened by administrative timing.

10) **Oversight related changes**. The Bureau recommended other statutory changes to improve its ability to oversee regulated institutions, respond to emerging risks, and coordinate with other oversight entities. This bill seeks to support the Bureau's oversight authority by expanding information sharing requirements among institutions, accreditation agencies, and government entities, requiring institutions to report specified investigations and enforcement actions, increasing penalties for unapproved operations, and reducing the Legislature's reporting requirement from 6 months to annual, while maintaining oversight hearings.

11) **Remaining funding issue.** The Bureau's main source of revenue is an annual institution fee, based on a percentage of annual revenue reported by licensed institutions. Currently, the Bureau's fund has a significant structural imbalance - annual expenditures exceed annual revenue intake, which draws down the balance of the fund. The fund's balance has been declining over the last several

years. According to the Bureau's Sunset Review Report, expenditures have exceeded revenues for many years, requiring loans and General Fund support to maintain operations. The Bureau recommended changes to its fee structure to restore long-term solvency. However, the proposed adjustments are not included in this measure. Committee staff understands that conversations are ongoing regarding the Bureau's funding structure to ensure it has sufficient resources to carry out its oversight and enforcement responsibilities, including those adopted under this bill.

12) **Heard by the Senate Business Professions and Economic Development Committee.** The Bureau is positioned within the Department of Consumer Affairs. As such, it falls under the jurisdiction of the Senate Business Professions and Economic Development Committee. This bill was heard by that Committee on June 29.

SUPPORT

Legal Aid Foundation of Los Angeles
The Institute for College Access & Success

OPPOSITION

None received

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